C1850-3
11/18/88

LODGING: TARGETING THE BUSINESS TRAVELER...46

Mega-catering lessons from the Olympics...80

Hotels: Foreign investment goes on the American plan...60
1989 Ivy Awards: Help pick the best in foodservice........141
Food: Catching on to superior seafood dishes..............160

NOVEMBER 11, 1988

A Cahners publication serving the total foodservice industry

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CONTENTS

Vol. 98 No. 28

BRIEFINGS

A summary for busy readers 5

COMMENTS

The hiring dilemma in foodservice 11
Operations in this issue 11

VIEWPOINT

The Gospel according to Charlie Brown 14

R&I FORUM

Readers' opinions 20

R&I SCENE

People, Places & Promos 22
Personal Glimpse: Paul Kovi 23

R&I REPORT

Industry Issues: Minimum-wage decision delayed again 26
Human Resources: Labor woes call for pro-active approach 32
Food Industry: Is the greenhouse effect here? 38
City Beat: Seaside Brigadoon wakes up 42

R&I EXCLUSIVE

Marketing: Taking care of business 46

R&I FOCUS

Business: Foreign capital goes on the American plan 60

MENUS

Menu Concepts: Sisters expands taste of Country Buffet 67
Menu Promotions: Crab promos grab new customers 76
Menu Design: Witty waiter earns a place for his face on menu 74

TASTE

Special Events: Seoul '88—The Olympic feed 80

CHAIN DIGEST

Corporate Profile: California Cafes is head of the class 99
Expansion Strategies: T.J. Cinnamons adds new markets, new products 105
Prototypes: Steakhouse franchisee designs new building 105
Executive Profile: Back to coffee-shop basics 108
Adscope: Bennigan's returns to the tube with new messages 110
International Front: Wendy's opens in Israel 110

INDEPENDENTS

Profile: Preparing for Denver's renaissance 118
Niches: Butcher Shops carve red meat reputation 121
Hotline: Sooner fare; mixed Mélange; meals and wheels 125

LIQUID ASSETS*

Promotions: Warm drinks take chill off sales 127

INSTITUTIONS

Health Care: Retirees spoof the golden years 132
Business & Industry: Hewlett-Packard introduces authentic Southwest cuisine 134
Hotline: What's new in the institutional segment 140

IVY BALLOT

Nominate a candidate for the coveted Ivy Award 141

DESIGN

Trends: Supreme courts 146

EQUIPMENT

Holding Systems: Keeping foods hot while on hold 151
Serving Systems: Set the stage for successful banquets 155

FOOD

Entrees: Fishing for new ideas 161
Food Facts: When you want spicy hot, capsicums deliver 184

MARKETPLACE

Menu Merchandising: Succulent dishes hot off the grill 188
Barbecue products 194
Product development 198
New products 198
Buyers Mart 203

CLASSIFIED ADS

Buying, selling, changing jobs 241

ACTION EXPRESS

For more information 254

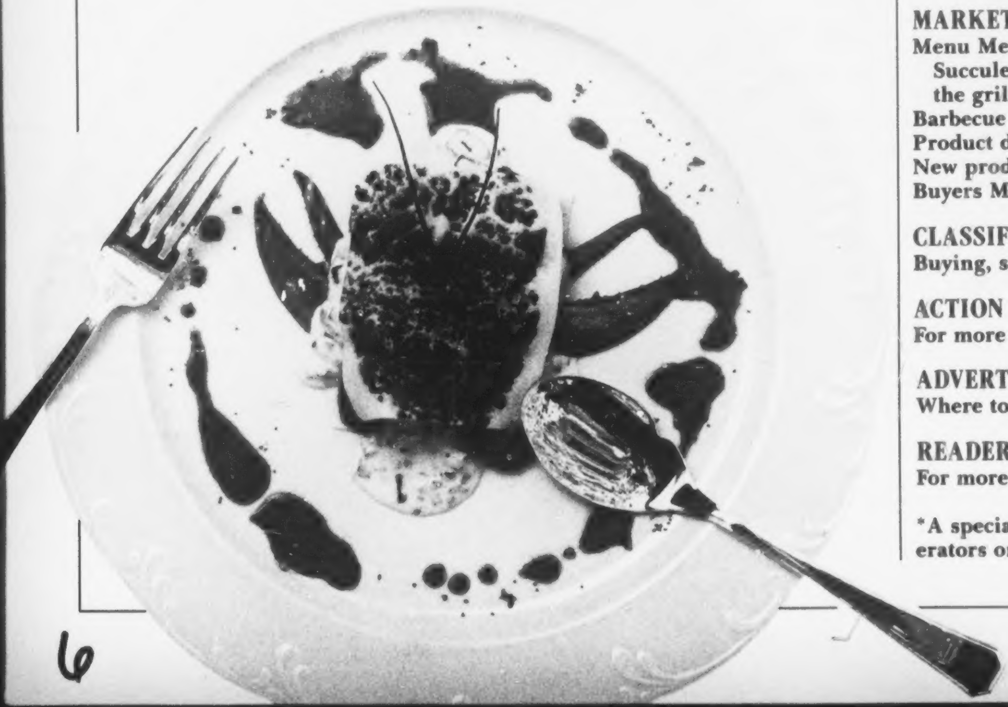
ADVERTISERS INDEX

Where to find ads in this issue 254

READER SERVICE CARD

For more information 255

*A special section for commercial operators only.



R&I REPORT

CHART
COUNCIL OF HOTEL & RESTAURANT TRAINERS

CHART ELECTS NEW BOARD MEMBERS

The Council of Hotel and Restaurant Trainers elected 1989's Executive Committee during its August conference in San Diego. (From l. to r.) Mike Amos, Sandia Holdings Inc., vice president; Sandi Spivey, Denny's Inc., secretary; Tom Gathers, General Mills Restaurants Inc., president; Susan Magrini, The Seiler Corp., treasurer; Dave Young, Friendly Ice Cream Corp., past president. CHART's winter meeting will take place April 2-5 in Clearwater, Fla. For information, contact Pat Evans, CHART's external affairs director, at Kentucky Fried Chicken's National Management Co. in Troy, Mich., (313) 689-5100.

■ **HUMAN RESOURCES**

Labor Woes Call for Pro-active Approach

New staff positions are created to address recruiting, retention issues.

As the foodservice industry's labor supply continues to erode, training and human resources executives are designing more programs to aid in recruitment and help cut turnover.

At the August meeting of the Council of Hotel and Restaurant Trainers, an *R&I* survey of the membership found that a growing number of companies are dedicating personnel to the job of improving the recruitment and retention rates of management and hourly personnel (see survey results below). Some companies admit that recruiting and retention is their number one strategic priority for 1989.

At Jerrico Inc., a new position called "Manager of Staffing Services" has been in place for six months to direct more than 50 new programs designed to address the company's concerns about hourly workers.

Some of the more popular programs being implemented by companies include heavily structured interviewing processes to identify motivated candidates who have personalities and abilities compatible with working in a foodservice environment. Steak 'n Shake Inc.'s "Select the Best" is such a system, in place for less than a year. Director of Training Carmen Bernabie says initial results are encouraging.

At ARA Services, Joel Katz, director of human resources development, has started a similar program for management candidates. ARA has identified competencies critical to job success and conducts structured behavioral interviews to see whether candidates have what it takes.

"Someone once told me, 'Easy hire, easy fire,'" says Katz. "When you put people through an extensive selection process, they know you have taken the time and effort to select the right person. Then they assume you will take the same time and effort to develop them."

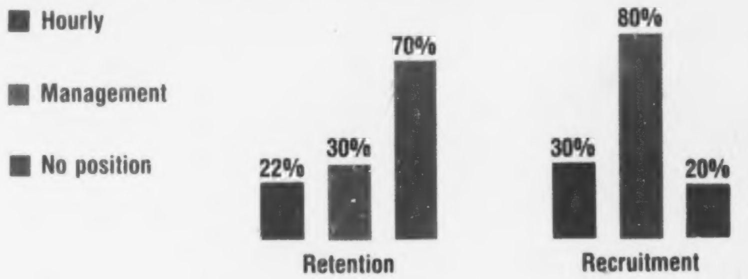
Anecdotal data in some regions show that ARA's program has reduced turnover by 40% in the management ranks. ARA also plans to develop a recruiting manual for unit managers to help them hire more qualified hourly personnel.

At Kentucky Fried Chicken, Human Resources and Training Manager Pat Evans is working on a retention bonus plan for hourly workers, based on length of service. "It sounds very attractive to employees when you tell them they can receive a $200 bonus if they work 20 hours a week for six months."

Evans also is working on a recognition program that puts managers into special recruiting, training or operations projects for three months. At the same time, the manager's bonus is guaranteed. ***—J.W.***

RECRUITING, RETENTION ADDRESSED

Because of the continued labor shortage, *R&I* asked executives attending the Council of Hotel and Restaurant Training this summer whether or not their companies had positions dedicated to the recruitment or retention of either hourly or management personnel. Their responses indicate that more companies are starting to address these issues.



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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
A.1. Steak Sauce, Nabisco Brand (p.12-13)	6
ALCO Foodservice Equipment Co., Dean Industries (p.186-187)	72
Above View, Inc. (p.238)	116
A.F. Industries (p.240)	123
Alaska Seafood (p.171-178)	75
Allen Canning (p.195-197)	76
Alto-Shaam, Inc. (p.111-116)	38,39,40,41
Amana (p.209)	81
American Gas/Commercial Foodservice (p.200-201)	77
American Gas/Midco Int'l., Ember-Glo® Division (p.233)	98
American Gas/Vulcan Hart (p.227)	94
American Permanent Ware, Inc. (p.135)	47
Arctic Alaska Fisheries Corp. (p.185)	71
Atlantic Cheinco Corp. Co. (p.239)	114
Atlantic Queen (p.157)	61
Bakers Pride (p.153)	59
Bee Gee Shrimp (p.179)	67
Bettcher Industries (p.78-79,226)	28,93
Bil Mar Foods, Inc. (p.225)	92
Blodgett Oven Co., Inc., The Rational Combi-Oven Steamer Div. (p.229)	95
Blue Diamond Growers (p.88-89,126)	31,43
Boyd Coffee Co. (p.213)	83
Bunge Edible Oil Corp. (p.21,43)	9,18
Bunn-O-Matic Corp. (p.129)	44
Calavo Growers of California (p.36-37)	15
California Olive Industry (p.98)	35
Carnation Co., Foodservice (p.72-73,219)	24,86
Chef Paul Prudhomme, Cajun Majic Spices (p.76)	27
Classified Advertising (p.241-251)	
Clear Springs Trout (p.164-165)	64
Coco Lopez (p.224)	91
COEX '89 (p.117)	
Coldwater Seafood Corp. (p.168-169)	66
Commercial Aluminum Cookware Co. (p.231)	97
Commercial Foodservice/American Gas (p.200-201)	77
Continental Coffee Products (p.IBC)	124
Cryovac Div., W.R. Grace & Co. (p.238)	117
Culver Duck (p.236)	104
Custom Foods (p.58-59)	20
Dean Industries, Div. of ALCO Foodservice Equipment Co. (p.186-187)	72
Delta Pride Catfish (p.181)	69
Dixie Crystals/Savannah Food & Industries, Inc. (p.211)	82
Dormont Mfg. Co. (p.236)	103
DuPont Canada, Inc. (p.221)	88
Durkee-French Foods, Inc. (p.191,192-193)	73,74
Equal Low Calorie Sweetner (p.8-9,77)	4,125
Farmland Foods, Inc. (p.143)	54
Fishery Products, Inc. (p.167)	65
Flour Pot Cookie Co., Inc. (p.87)	30
Fort Howard Corporation (p.28-29,30-31)	11,12
Frionor (p.183)	70
Frymaster Corp., Div. of Welbilt Corp. (p.217)	85
Garland/A Welbilt Co. (p.215)	84
General Foods Maxwell House & Master Blend Coffee (p.94-97)	34
Georgia Pacific (p.144-145)	55
Glenco Refrigeration Co. (p.205)	79
Gold Medal Products, Co (p.238)	113
Grindmaster Corporation (p.234)	101
Heinz Co., H. J. (p.34-35,34-A-34-D)	14

continued on page 252

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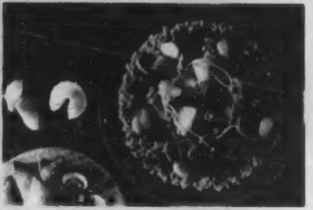
ABP

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in February, March, June, August and October) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1988 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President/CEO; Robert L. Krakoff, Executive Vice President; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, $95; Canada/Mexico, $105; other countries, $130 for surface mail and $215 for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

Nov. 25, 1988 Not Filmed

C1850-3
12/14/88

R&I EXCLUSIVE: HOW AMERICA'S TASTES ARE CHANGING...42



Menus: Rax rolls out new Oriental items...90

Culinary Olympics: U.S. team wins gold at Frankfurt...24

Taste: Tap into the secrets of heartland cooking......100

Food: Chefs' choices for hit holiday recipes............140

DECEMBER 9, 1988

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CONTENTS

Vol. 98 No. 30

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

What's happened to our customers? 11
Operations in this issue 11

VIEWPOINT

Exporting the Tastes of America 14

R&I FORUM

Letters 16

SCENE

People, Places & Promos 20
Personal Glimpse 21

R&I REPORT

U.S. wins Hot Food Gold in "Culinary Olympics" 24

R&I EXCLUSIVE

Consumer Survey: The changing Tastes of America 42

MENUS

Menu Concepts: Chicago restaurateur specializes in lunch 89
Menu Promos: Taco Time wraps up chicken launch; Florentine Restaurants offer sixties prices for eighties celebration; Back Bay Hilton puts Boodles up front 96

LIQUID ASSETS*

Promotions: Scotch tasting warms customers and coffers 99

TASTE

Regional Cuisine: Heartland food is menu friendly 100

FOOD

Regional Recipes: Recipes straight from the Heartland 118
Seasonal Recipes: Chefs' Holiday Menus 140

MARKETPLACE

Menu Merchandising: Exploring the ethnic possibilities of pork 150
Pork Products 154
Buyers Mart 157

CLASSIFIED ADS

Buying, selling, changing jobs 171

ACTION EXPRESS

For more information about products 180

ADVERTISERS INDEX

Where to find ads in this issue 180

READER SERVICE CARD

To send for more information 181

*A special section for commercial operators only.

6

R&I EXCLUSIVE

CONSUMER SURVEY

The Changing TASTES

New meal occasions, value demands and adults who eat like kids make foodservice one tough market to call.

When *Restaurants & Institutions* published its first Tastes of America survey in December 1980, the average American household ate out 6.4 times a week at a cost of $22.71. One-third of the general public thought that meals away from home were a poor value, though almost half still chose eating out as their No. 1 leisure activity. Customers were saying no to desserts, yes to salads; and only young mothers admitted to counting calories.

Nine years, three droughts and one market plunge later, a typical household eats 10.3 meals away from home during the week and spends $31.72 to do so. Only one-sixth of the public considers foodservice a poor value, but two-thirds complain about service. Americans who dine out opt for more chicken and fish—grilled, not blackened or deep-fried—and two in three say they care about nutrition.

It's a different foodservice market, but as the 1988 Tastes of America survey shows, it's still strong in many ways. To compile the survey, the market research firm of National Family Opinion sent out questionnaires to 2,000 representative households. Participants returned 1,309 replies for a 65% response rate. (Polling only households excludes institutional settings like hospitals and military bases.)

Forecasters who expected to see Black Monday's aftershocks in this year's register tapes have not yet been proven correct: Most upward trends of the last few years continue. A third of those polled say they eat more meals away from home now than last year. Customers try new restaurants more often than in times B.C.—Before Crash.

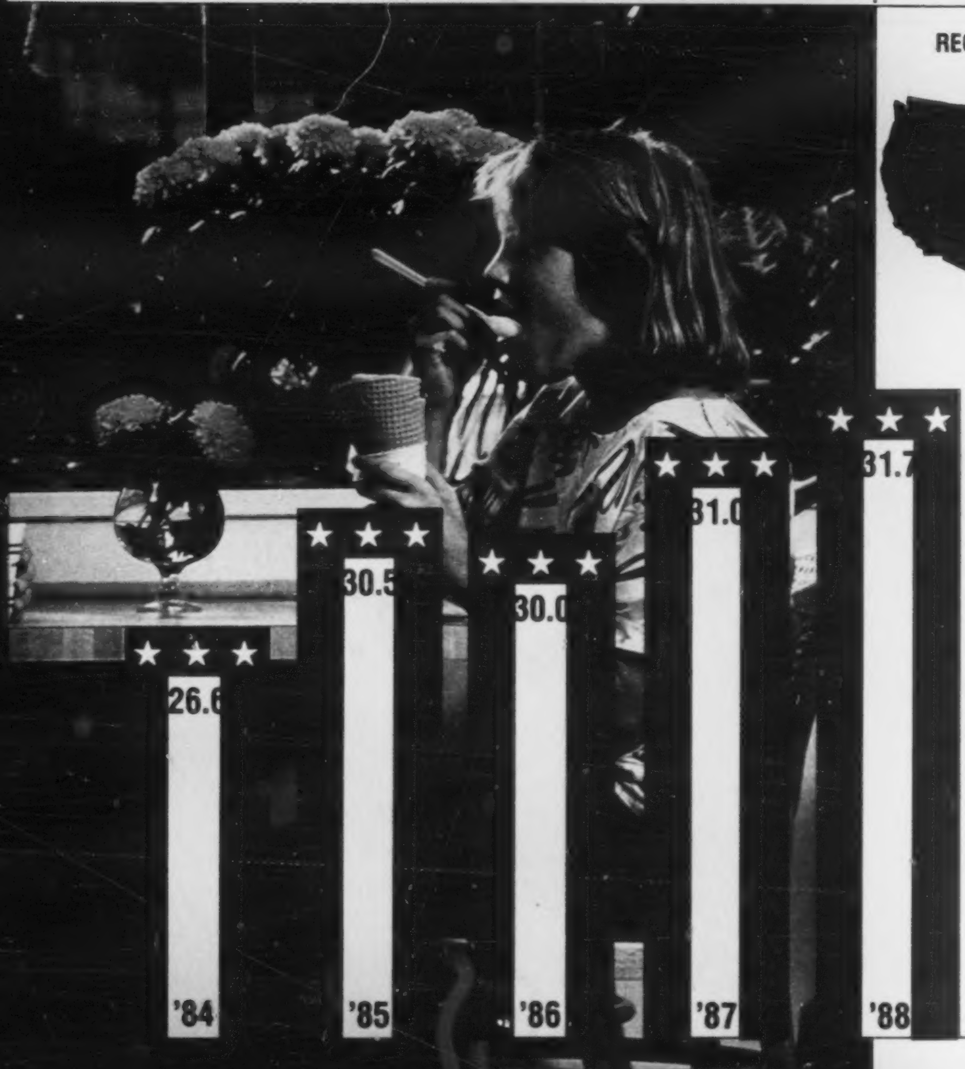
But next year's dining habits will be the product of *this* year's opinions; and the attitudinal portion of the survey offers little cause for celebration. Patrons like the ease of a meal away from home, but they are much less content with its price/value. If rising costs force a general hike in menu prices, eroding value may become the industry's biggest headache.

The market is becoming at once less predictable and less forgiving. This year's respondents say one-fifth of their dining out occurs outside traditional meal occasions: What impact will that have on tomorrow's menus? With boomers off having babies, can seniors, empty-nesters and the "old-old" replace them as the demographic forces that drives the industry? And can restaurateurs mute the rising chorus of complaints about quality, service and—that word again—value?

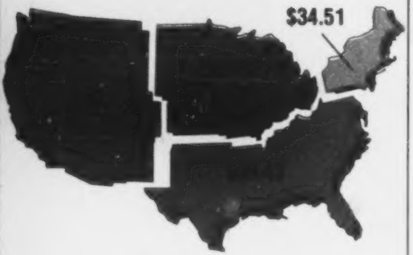
By Lisa Bertagnoli, Brian Quinton and Jeff Weinstein

RESTAURANTS & INSTITUTIONS

OF AMERICA



REGIONAL WEEKLY BUDGETS



WEEKLY EATING-OUT BUDGETS INCREASE

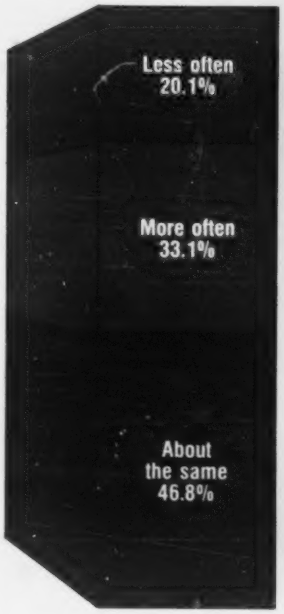
The average household is now spending $31.72 a week on food away from home, an increase of more than 2% over last year. The biggest spenders are married couples without children ($42.15 a week), while older singles dish out the least ($15.02). Regionally speaking, low unemployment in the Northeast may account for the high $34.51 weekly eating-out budget. More precisely, households in New England are spending an average of $37.62. In the West, Mountain region households spend $28.28, compared to $36.60 by their Pacific region neighbors.

TASTES OF AMERICA

WEEKLY ROUTINES
The number of meals eaten away from home in a week by the average household increased by more than 25% in the past year. Working couples with children under the age of 19 eat out 14.4 times a week. Those more concerned about nutrition eat out 11 times a week.

	1987	1988
All respondents	8.0	10.3
Household of 1	5.7	6.9
Household of 2	7.2	9.2
Household of 3	9.5	13.2
Household of 4	9.8	12.5
Household of 5	10.5	13.1

EATING PATTERNS
Percentage eating out more often this year compared to last year:



Consumers say convenience and value factors are prompting them to eat out more often.

Young or old, single or married, consumers responding to the 1988 Tastes of America survey continue to eat out more often. This year, 89.4% report they have eaten out in the past week, 96% in the past month, and more than 33% are eating out more often compared to last year.

"Our family eats out more often now that I'm working again," says Annette VanderPloeg, a 36-year-old married mother of three. "We'll probably go out even more in the future because the children have busy schedules too.

"There are a lot more activities for the kids today than when I was young," adds VanderPloeg. "So the family tends to eat out more often because we are always concerned about getting to soccer practice, the hockey arena or a piano lesson. My friends do the same thing."

Seventy-five-year-old widow Dorothy Milligan dines out about three times a week these days. "I go out for the convenience," says Milligan. "I'm older, my friends are about the same age and we find it easier to go out to eat and then take in a movie or whatever we're going to do.

"Once in a while I do entertain at home, but I find I do less and less of that," Milligan adds. "It's so much easier and simpler to go out to eat."

One hundred percent of young singles responding to the survey eat out at least once a week and 45% are eating out more often than last year. Fernando Mendez, 22, is no exception. "As my schedule gets busier, I find myself dining out as many as four times a week," he says. "I also like saving time at a restaurant and not having to worry about washing dishes. It makes any added expense worth it."

Survey results also show that 100%

Gary Fishleigh (r.) says his dining plans are often improvised.

of married couples, working full-time, with or without children, ate out at least once in the past month.

As the number of meal occasions per household increases, so do eating-out budgets, especially among younger consumers. "Our family eating-out budget has increased and now ranges anywhere from $40 to $60 a week," says Gary Fishleigh, a 33-year-old married father of two young children.

Young singles spend $38.31 in an average week, compared to $25.38 for middle-aged singles and $15.02 for older singles. Young couples spend $37.36 a week, versus $36.09 for older working couples and $25.10 for older retired couples. This pattern reverses, however, among parents. The average eating out budget gradually increases from $30.01 for young parents to $37.72 for older parents. The biggest weekly budget ($42.15) is found among married couples, working full-time, without children under 19 years old.

Looking ahead to 1989, 10.5% of survey respondents expect to eat out more often next year, ranging from 7.7% among middle-aged singles to 15% among older working couples. But they may be underestimating their plans for 1989. Last year, 12% said they planned to eat out more often in 1988. But this year's results show that in actuality, 33% ate out more often. What group will be eating out less often in 1989 compared to 1988? The survey reveals that 27% of older singles expect to cut back.

Dining patterns changing

As households grow busier with outside activities, breakfast, lunch and dinner continue to blur. In an average week this year, the number of meals eaten away from home attributed to the three traditional meal times remained steady, but the period classified as "other" made substantial gains, proving that consumers eat when they have the time, not necessarily when tradition dictates.

Among households of three or more, more than 24% of the meals eaten out during the average week are attributed to the "other" meal period, 28% among middle-aged parents and 33% of single parents with children under age 19.

Lunch, however, remains the most popular meal eaten away from home. In an average week, 37.3% of all meals

continued on page 50

THE "OTHER" MEAL

Respondents are having a more difficult time matching dining experiences with specific meal occasions. Almost 21% of weekly meals eaten out by a total household were assigned to the "other" category.

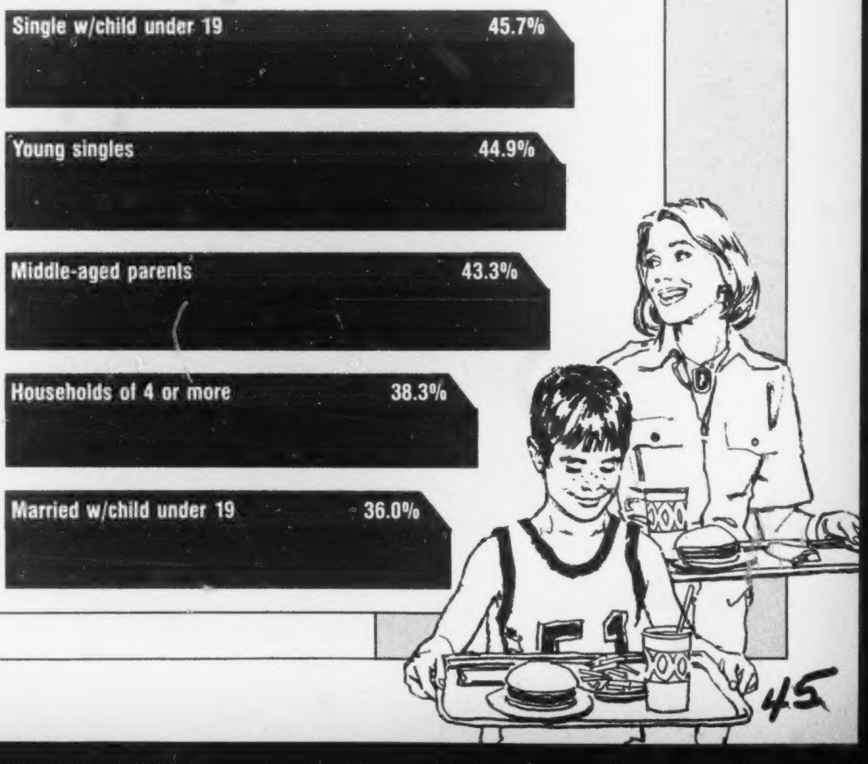
Meals eaten away from home in an average week

	Total household	Male head of household	Female head of household	Child/ teen
Breakfast	12.2%	14.7%	12.2%	7.3%
Lunch	37.3	38.9	37.6	33.9
Dinner	29.3	27.7	32.4	26.8
Other	21.2	18.8	17.8	32.0

GROWING CUSTOMER BASES

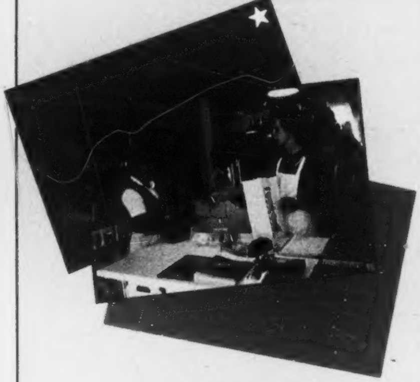
Single parents with children under 19 years old are eating out more often this year compared to last year, and 26% more often than married couples with young children.

Eating out more often than last year



TASTES OF AMERICA

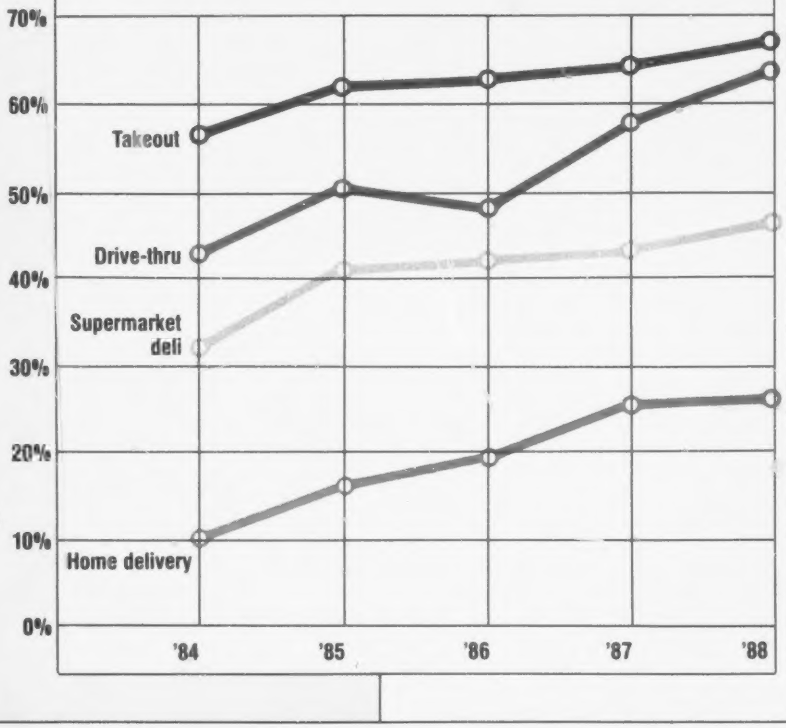
Older consumers are catching on to convenience trends: 69% ordered takeout in the past month.



NUTRITION NOTE
Almost 96% of survey respondents who have eaten out at least once in the past month are more concerned about nutrition. But of those who ate out yesterday, 47% have the same concern.

CONVENIENCE FACTOR GROWS IN IMPORTANCE

Since 1983, more diners have taken advantage of convenient services such as takeout, delivery and drive-thru. These services are especially popular with larger households and respondents from the Northeast.



continued from page 45

eaten out are lunch, 29.3% are dinner and 12.2% are breakfast.

Tastes of America results also reveal that the percentage of meals purchased for takeout, delivery, at a drive-thru window or via convenient services such as supermarket deli or the convenience store increased for the fifth straight year.

While young singles and families purchase the most convenience-oriented meals, older consumers are now catching on to the trend and driving the numbers even higher. In 1987, 54% of older working couples had purchased ready-to-eat food for takeout in the past month. This year, however, 69% fell into that category. Among older singles, older couples and older parents, the percentage taking out prepared foods increased from three to seven percentage points.

Consumption of prepared supermarket deli foods increased only slightly in 1988. "I don't use them," says Judy Shook, 41, single and the mother of a teen-age daughter. "If I don't cook, I like to go somewhere I can sit down. I don't like standing in supermarket lines if I only want something from the deli."

VanderPloeg adds, "I'm not sure if the quality is there . . . The grocery-store products aren't much cheaper than if I order out, and for some reason I can't put my finger on, the food doesn't taste as fresh as when I order out."

Survey respondents report that their purchases at convenience stores in the past month increased from 21.5% in 1987 to 23% in 1988. But some consumers complain about the quality of ready-to-eat items from c-stores. "It tastes artificial to me," says Shook. "I don't know when the food was set out, nor can I see the people who prepared it, even though it comes in a sealed package. . . . If I wanted to eat in my car, I would have prepared a brown bag meal by myself."

Old versus the new

Loyalty is a common characteristic of 1988 Tastes of America respondents. Almost 77% of those surveyed visit a favorite restaurant when dining out. Loyalty is greatest among older retired couples (80.9%) and households of four or more. Almost 45% of all respondents go to old standbys at least 85% of time.

Quality service is most important to Milligan when she is deciding whether to return to a restaurant. "Good service means that the food has to be hot, the salad crisp and the waitress must be pleasant. I don't want someone hovering over me. I just want plain courtesy."

"We'll decide whether or not to go back to a restaurant based on a balance of qualities—food, atmosphere and price/value," says Fishleigh. "Price/value is the most important feature to us right now."

continued on page 54

TASTES OF AMERICA

Roberta Bailey (r.) is always on the go and trying many new restaurants.

AMERICANS STILL PREFER THE CLASSICS

While not among the top 10 restaurants patronized at least once a month, Mexican restaurants were visited by 44.2% of respondents from the West; 40.4% of young singles frequented Italian restaurants.

Restaurants visited in the last month	Total	North-east	North Central	South	West
Hamburger (fast food)	79.1%	72.7%	85.1%	77.9%	80.7%
Family/coffee shop	57.2	61.5	61.0	47.5	63.9
Pizza	54.7	59.7	56.1	50.8	53.6
Fine dining	38.4	46.2	38.4	31.2	42.1
Chicken (fast food)	34.1	23.8	29.9	42.9	36.1
Oriental	32.3	33.0	31.1	28.3	40.3
Submarine/sandwich shop	27.3	37.0	19.8	26.9	27.5
Seafood	27.0	30.0	18.9	32.6	24.9
Cafeteria	25.7	16.0	27.1	33.8	19.3
Steakhouse	25.3	18.3	23.5	31.4	24.9

Old favorites are preferred by almost 77% of respondents.

continued from page 50

Roberta Bailey, a married mother of three teen-age children, says service is most important to her family. "My husband demands service," she says. "I think you just have to like the people working at the restuarant."

Singles and young couples try new restaurants most often—27% of the time they eat away from home. On the average, consumers try a new restaurant 23.3% of the time they dine out. Falling under the average are older working couples (19.5%).

"Word of mouth entices me to try someplace new," says 26-year-old single Carla Melull. "I'm not swayed by reviews and I rarely read them. I don't go by what ads say either. What my friends say and what they think about the price and quality of a restaurant makes all the difference to me."

Survey results also show that America continues to frequent fast-food hamburger restaurants and coffee shops most often. More than 90% of families of five or more have eaten at fast-food hamburger restaurants in the past month. Households of two and older working couples frequent family restaurants/coffee shops most often. Comfort and familiarity are cited as the main reasons for these preferences.

Almost 75% of young families have dined at pizza restaurants in the past month, 40% more often than the average survey respondent. Nearly 50% of young singles and couples are eating at fast-food chicken restaurants, again 40% more often than the survey average.

Ethnic restaurant favorites, such as Mexican in the West and Italian in the Northeast, show continued strength. And, while 19% of all respondents have eaten at an Italian restaurant in the past month, more than 40% of young singles eat out Italian-style at least once a month. Oriental restaurants also gain a higher percentage of their support from young singles and couples. For example, the Fishleigh family is taking out a lot of Chinese food these days because it is convenient and the children have grown to like it.

TASTES OF AMERICA

Americans round out basic burgers-and-fries diets with chicken, fish and ethnic offerings.

The simple food-ordering facts in this year's Tastes of America survey reveal no trends that will rock the industry. Instead, the survey shows that the dining-out public has discovered the phrase "Everything in moderation." Top food choices of those polled include quick-service items, trendy fare, ethnic foods and a variety of beverages. Personal tastes affect food-ordering decisions, but so do convenience, nutrition concerns and family needs.

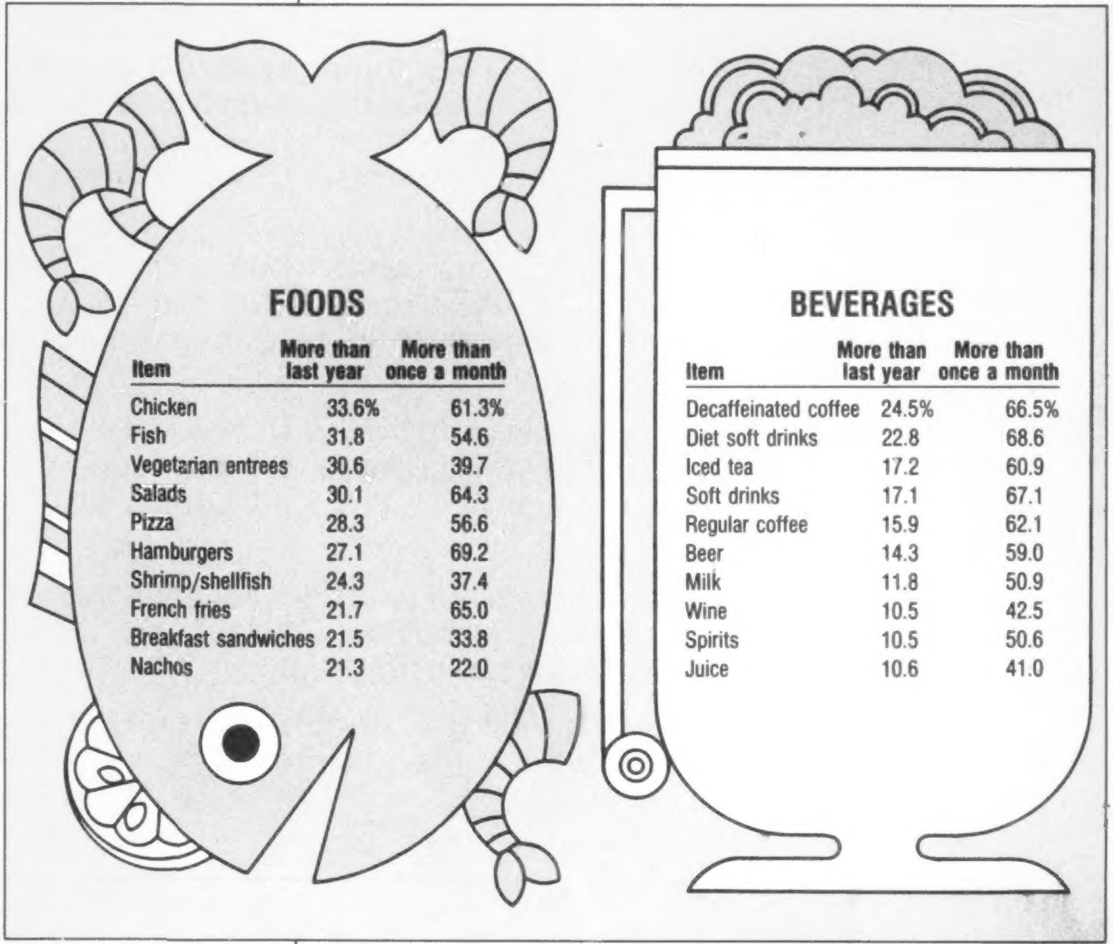
Because of the convenience factor, the most-ordered foods are those found on burger-chain menus. Two-thirds of respondents order a burger, fries and a soft drink more than once a month.

The soft drink most likely is a diet drink: 68.6% order diet soft drinks more than once a month, and 67.1% choose regular soft drinks. Both diet beverages and decaffeinated coffee are gaining in popularity.

Chicken and salads, the two foods quick-service chains are adding with most frequency, garner nearly as many orders. In this year's survey, 61.3% order chicken and 64.3% order salads more than once a month.

HEALTHFUL FOODS GAIN GROUND

Foods perceived as healthful are gaining ground with customers, who are ordering chicken, fish and decaffeinated coffee more frequently than they did last year. The left column indicates the percentage of respondents ordering the item more frequently than last year. The right column indicates the percentage of customers ordering the item more than once a month.



FOODS

Item	More than last year	More than once a month
Chicken	33.6%	61.3%
Fish	31.8	54.6
Vegetarian entrees	30.6	39.7
Salads	30.1	64.3
Pizza	28.3	56.6
Hamburgers	27.1	69.2
Shrimp/shellfish	24.3	37.4
French fries	21.7	65.0
Breakfast sandwiches	21.5	33.8
Nachos	21.3	22.0

BEVERAGES

Item	More than last year	More than once a month
Decaffeinated coffee	24.5%	66.5%
Diet soft drinks	22.8	68.6
Iced tea	17.2	60.9
Soft drinks	17.1	67.1
Regular coffee	15.9	62.1
Beer	14.3	59.0
Milk	11.8	50.9
Wine	10.5	42.5
Spirits	10.5	50.6
Juice	10.6	41.0

Indeed, restaurant patrons say that new menu items at chains affect their food-ordering habits. "Potatoes and salad bars have improved fast-food places," says young single Fernando Mendez, adding that burger alternatives encourage him to patronize chains more often. Annette VanderPloeg, the active mother of three, agrees. "We like the new salad bar at Wendy's and have gone there because of it," she says.

And children do make a difference. VanderPloeg says her whole family eats out more often because her adolescent children are busy with sports and music lessons, and often they pick the restaurant. Roberta Bailey and her husband, like other older couples, go out more often now that their children are teenagers: "We have more freedom now," Bailey explains.

Data from the survey supports their claims. Young people with children eat more ice cream, hot dogs, hamburgers and fries than their childless peers, who outrank them with orders of pasta salad, vegetables and grilled fish. But parents tend to order more "adult" foods after children grow up. The percentage of older parents who order vegetables, fruit, turkey, grilled fish and grilled chicken more than once a month is remarkably higher than the percentage of young parents who order such foods.

Choices reflect nutrition concerns

The growing popularity of chicken, salads, decaffeinated coffee and sugar-free soft drinks shows that concern about diet and nutrition still influences food choices.

Fish and vegetarian entrees have joined chicken and salads as the items most people are ordering more frequently. The two items have some distance to go, however, before they become part of the basic American diet. Half of the respondents say they order fish more than once a month, while 40% order vegetarian entrees more than once a month.

Since eating out has become a part of daily life, people depend on restaurant menus to help them watch what they eat. Even weight-conscious people do not stay out of restaurants. "I just order fish or chicken instead of meat when I'm on a diet," says Dorothy Milligan, a 75-year-old widow. Gary Fishleigh, age 33, is not concerned about nutrition, but says his wife is careful about what she eats: "We usually end up going to a restaurant that offers a little bit of everything," he comments.

Trends toward different methods of preparation accompany increased orders of chicken and fish. Last year, consumers said they preferred both fish and shellfish deep-fried. This year, shellfish is the only meat that people prefer deep-fried. Patrons like meats and fish broiled and poultry baked.

Consumers not satisfied with salad bars and broiled meats demand specific types of healthful foods. Of all the respondents, 68.3% want to see restaurants offer low-cholesterol, low-fat foods; 66.5% want low-sodium foods; 59.4% want low-calorie foods; and 53.1% want low-sugar foods.

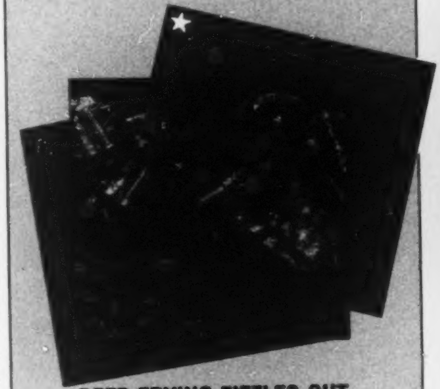
Older working couples are most concerned about fat, with 80.4% calling for low-fat items, while 76.2% of the older retired people polled think low-sodium foods should be added to menus. Parents are the biggest advocates of caffeine-free soft drinks, perhaps thinking that active children do not need additional stimulants.

Ethnic foods still popular

Italian and Mexican food are the most popular ethnic cuisines. While the two cuisines cannot match mainstream foods in popularity, 40.2% of respon-

continued on page 64

Dorothy Milligan says frozen yogurt is the only dessert she eats.



DEEP-FRYING FIZZLES OUT

Low-fat cooking methods such as broiling and grilling have become such a part of the American diet that survey respondents now prefer only one food—shellfish—deep fried.

MEAT	
Broiled	56.7%
Grilled	53.9
Baked	46.3
Stir-fried	20.7

POULTRY	
Baked	59.4%
Broiled	36.1
Deep-fried	30.2
Grilled	26.3

SEAFOOD	
Broiled	43.4%
Deep-fried	41.6
Baked	26.1
Grilled	20.4

SHELLFISH	
Deep-fried	51.0%
Broiled	24.3
Stir-fried	18.8
Pan-fried	15.8

TASTES OF AMERICA

REGIONAL FAVORITES

Trends come and go, but different regions of the country keep ordering their favorites. Residents of the Northeast region are most likely to order Italian food during the year, while Southerners prefer spicy Mexican and Cajun dishes.

ITALIAN	
Northeast	86.8%
West	78.6
North Central	74.0
South	67.4

ORIENTAL	
West	85.5%
Northeast	73.8
North Central	66.7
South	64.7

MEXICAN	
West	92.9%
North Central	69.9
South	67.8
Northeast	39.6

FRENCH	
West	24.7%
Northeast	21.8
South	22.2
North Central	11.7

TEX MEX	
South	28.6%
West	22.6
North Central	11.8
Northeast	11.1

CAJUN	
South	32.8%
West	24.7
Northeast	21.9
North Centr	19.5

More than two-thirds of all respondents would like restaurants to add low-sodium foods.

continued from page 61

dents order Italian food more than once a month, and 37.7% order Mexican food more than once a month. Oriental, too, does well in the survey, with nearly one-third of respondents giving it the nod more than once a month.

Singles are most likely to order Italian-influenced foods. All the older singles surveyed order pasta entrees more than once a month, and half say they order pasta salads more than once a month. Young singles order the most old-fashioned pizza, and show no signs of boredom: 39.6% order pizza more frequently this year than last.

Parents, however, prefer gourmet pizza. Young parents, more than any other group, order gourmet pizza more than once a month, and older parents are ordering the upscale pizzas more frequently these days. Nearly 40% of households with five or more people have increased their pizza orders, confirming that pizza is the top family pleaser.

Older singles and couples prefer Mexican-flavored dishes more than the other demographic groups. All the older singles surveyed order fajitas more than once a month, and half of them are ordering fajitas more frequently than last year. Older retired couples take the guacamole prize: one-third of that group order the dip more than once a month and are ordering it more frequently. The same percentage of older retired couples are ordering taco salad more often.

The convenience factor comes into play when customers order ethnic foods. Fishleigh says he orders Chinese food more frequently because he is ordering more meals for takeout or delivery in general. VanderPloeg likes full-service Mexican restaurants because they offer something for everyone in her family. For some people, pizza is the only food suitable for takeout and delivery. Thirty-one-year-old Tom Ardt, the married father of three children, says his family orders pizza once a month (always from Domino's), eschewing all other takeout foods. (Two-thirds of respondents have ordered pizza for at-home consumption during the past year.)

continued on page 69

Annette VanderPloeg likes the options that Mexican restaurants offer.

TASTES OF AMERICA

Fajitas and pasta entrees are popular with older singles.

continued from page 64

That many people perceive ethnic food as difficult to prepare also makes it an eating-out favorite. "We cook burgers and steak at home," Fishleigh says. "It takes too much time to make Chinese or Mexican food." Mendez compliments the industry on ethnic foods: "I see that ethnic foods are prepared by people with the same ethnic backgrounds," he notes.

Several previous trend-setting cuisines now barely rate a mention. Only one-fifth of respondents order Cajun and Tex-Mex, two of the hottest ethnic cuisines to hit menus in recent memory, more than once a month. About 10% are ordering Cajun and Tex-Mex food more frequently than last year.

Of all the cuisines brought up in the survey, French food's status suffers the most. Once perceived as fancy and now viewed by many as stuffy, French fare is ordered more than once a month by one-fifth of respondents. Only 26.1% of respondents in households with more than $60,000 in annual income (arguably the most affluent of the bunch) order French food more than once a month: 59.6% from that bracket did not order French food during the past year.

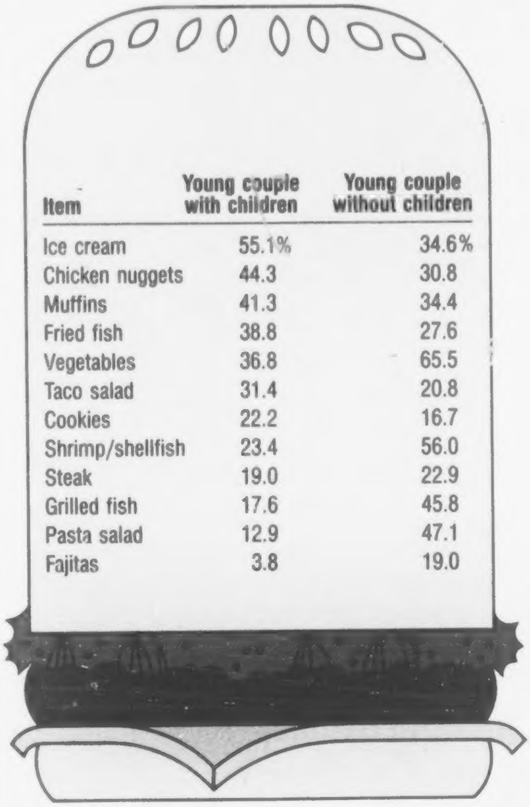
Patrons leave room for dessert

Respondents in households earning more than $60,000 a year are more likely to order ice cream and sherbet; gourmet (high-butterfat) ice cream; and puddings and mousse than those from other income brackets. The Northeast leads the way in dessert: Respondents from that region ranked highest with orders of ice cream, muffins and rolls, cookies and gourmet ice cream. Western respondents order mousse and puddings more frequently than people in other regions.

Ice cream continues to be the most popular dessert, with almost half the respondents saying they order it more than once a month. Older retired people order the most ice cream. Older single people treat themselves to gourmet ice cream, and are ordering it more this year than last.

continued on page 74

Fernando Mendez likes ethnic foods, but sticks to burgers on weekdays.



Item	Young couple with children	Young couple without children
Ice cream	55.1%	34.6%
Chicken nuggets	44.3	30.8
Muffins	41.3	34.4
Fried fish	38.8	27.6
Vegetables	36.8	65.5
Taco salad	31.4	20.8
Cookies	22.2	16.7
Shrimp/shellfish	23.4	56.0
Steak	19.0	22.9
Grilled fish	17.6	45.8
Pasta salad	12.9	47.1
Fajitas	3.8	19.0

CHILDREN AFFECT EATING-OUT HABITS

More young parents than young couples without children say they order fast-food fare, such as burgers and fries, at least once a month. Couples without children order trendier foods regularly.

TASTES OF AMERICA

Value of eating out slips for general public but soars among older singles, older couples.

More people think they are getting less value for their foodservice dollar in 1988, according to this year's Tastes of America survey. The proportion of customers who say eating out is a good value has dropped to 11.3%—down more than two percentage points from last year. Meanwhile, the number of respondents who say foodservice meals are a poor value has risen two percentage points to 16.8%.

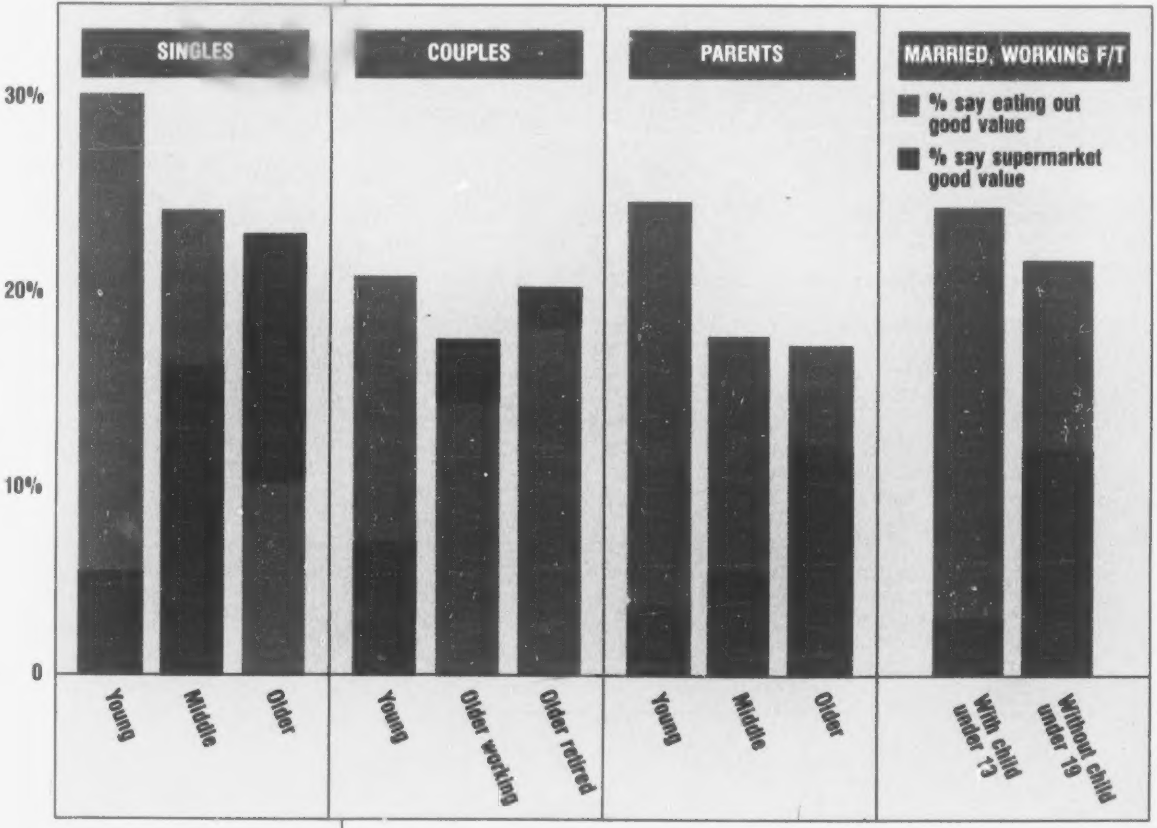
The latest survey also shows that cooking at home has gained pocketbook appeal in comparison to eating out. In 1987, the number of people who thought supermarket groceries were a good value was 6.6 percentage points greater than those who said the same for restaurant meals. This year's survey shows that gap has widened to 8.5 percentage points among respondents.

If this is not the best foodservice price/value index in the survey's history, it is very far from the worst. That low point came in 1981, when only 6.5% of respondents thought eating out gave a good return on the dollar while 35.2% disliked the value offered by meals away from home.

Respondents from younger age groups, larger households and lower-income brackets say that eating away from home holds the least attraction for them. But in practice many from these demographic groups take a broad view of costs, weighing the time and labor savings of restaurant dining against the out-of-pocket expense. "We keep telling ourselves that for the

SHOPPING CART VS. PASTRY CART

The young in each lifestage say that groceries are a much better value than eating out, but the gap narrows among more mature groups. Dining away from home actually wins out among older singles and older retired couples—two groups that are growing fast.



$8 or $9 we spend at McDonald's, we could get a couple of good porterhouse steaks," says Gary Fishleigh, father of two young children. "But the convenience of going out gets in the way of eating at home. Not just cooking but planning and shopping take up so much time."

Annette VanderPloeg agrees that it costs less for her family of five to eat at home. "But the convenience of a restaurant makes up for the little extra we spend," she says.

But the big demographic news occurs at the other end of the scale. Singles over 65 and older couples, both working and retired (45 or over, no children present), now consider restaurant meals a better bargain than food prepared at home. In fact, the proportion of older singles who like the value of eating out has almost doubled since last year, when only 11.3% favored it. As Dorothy Milligan, who lives alone, puts it, "At supermarkets, you have a tendency to buy more than you'll use." Since the over-65 group is projected to grow from 25.8 million now to 44.3 million by the year 2020 (making up 17.3% of the total U.S. population) operators should begin tracking their eating habits with interest.

Complaint department

Tastes of America asks not only what makes customers tick but what ticks them off. What foodservice turnoffs are top of mind this year?

The good news is that smoking, which headed the list last year by irritating 48.4% of the public, is no longer the top restaurant nuisance. Unfortunately, the grievances that replace it strike right at the heart of the dining experience—service, food quality, price, value. Seven out of 10 respondents have encountered rude staff. Almost three in five complain that the food served them is sometimes of poor quality; and 65% say the meals are occasionally not worth the price.

Operators must decide for themselves if consumers are becoming more particular or just plain picky. But they are definitely becoming more fed up: This year's top six gripes all gathered more votes than last year's No. 1.

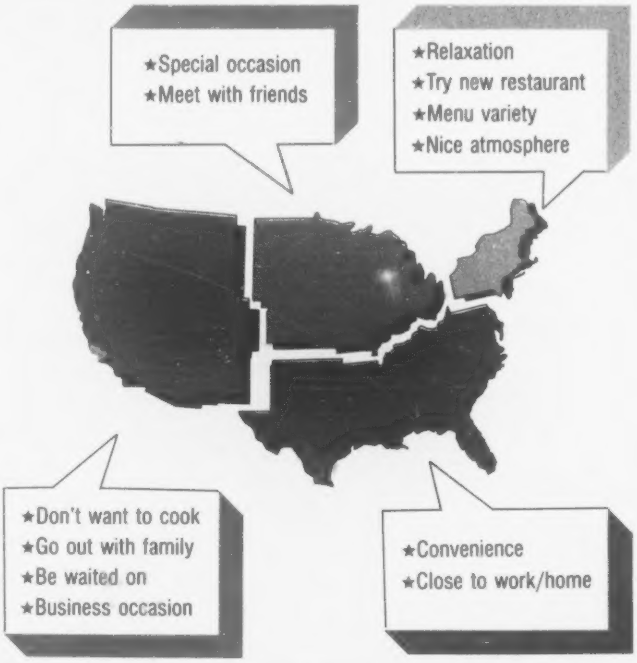
"We're typically satisfied when we eat out," says Fishleigh. "Our big problem is with price/value, especially with alcohol. In Hawaii, we paid $8 for a glass of wine and $3.50 for a beer."

continued on page 78

Tom Ardt (center) thinks groceries are a better buy than dining out.

REGIONAL REASONS

Why does the country dine out? Responses from different regions show the West wants to be waited on, the Northeast likes something new and convenience sells in the South.



TASTES OF AMERICA

Smoking and noise give way to gripes about the big issues: service, quality, price, cleanliness.

continued from page 75

"I know places get busy," says 22-year-old Fernando Mendez, "but I want them to tell me they're busy and then take care of me as best they can."

Most surprising may be the size of the group that complains of dirty restaurants. This year's percentage is almost double the 25.1% who found cleanliness an occasional problem last year.

Hot tips, cooler on labels

Perhaps in reaction to these bad experiences, 81.7% oppose an automatic service charge. The public seems intent on reserving the privilege of the final verdict on services rendered. Those from households that dine out more than seven times a week are particularly set against the gratuity, as are those who spend more than $25 a week in restaurants.

"Just this week we got some terrible service," says Carla Melull, a 26-year-old single. "I like the advantage of letting [the servers] know that."

Others feel a fixed 15% or even 20% would short-change servers who work hard for the money. "Most of us are grandmothers," Milligan says, referring to her usual lunch group. "We realize the kids are there to earn money, and we're a little over-generous."

Yeas still outnumber the nays on the issue of labeling ingredients in fast food, but their ranks have thinned since last year. Then, 78.1% favored such labeling; today 73.4% feel the same way. At the same time, two out of three respondents are "more concerned about nutrition" compared to one in two who said so last year. A contradiction? Perhaps not. The nutritionists may really be counting calories instead of watching vitamins or additives. Mendez, for example, says he thinks about nutrition when eating away from home, "especially right now, when I need to watch my weight." But as for any list of fast-food ingredients—"I don't need to see it," he says.

continued on page 82

At her favorite eating spot, Judy Shook (r.) says she "doesn't feel rushed."

TRAFFIC SNARLS

Asked what most irritates them in restaurants, this year's respondents went straight to the heart of the price/value equation:

	1988	1987
Rude personnel	69.2%	47.0%
Not worth price	64.2	47.1
Poor quality food	58.1	47.1
Noise/loud music	57.9	47.9
Wait for table, service, food, check	52.8	41.5
Smoking	51.5	48.4
Being rushed	46.8	30.1
Lack of cleanliness	46.7	25.1
Wait in line for food	37.8	26.9
Feeling crowded	36.4	25.6

SPEED
45
MINUTES PER TABLE
LIMIT

TASTES OF AMERICA

Carla Melull (r.) says she wants service at lunch, quality at dinner.

FAST OR GOOD?
The survey asked respondents to analyze a "good" dining experience in different price ranges (fast food under $5, midscale $5 to $12.) The result ranks customer expectations for each segment in descending order.

Fast food	Midscale	Fine dining
Speed	Food quality	Food quality
Clean	Clean	Taste of food
No wait for food	Good service	Good service
Food quality	Food taste	Pleasant atmosphere
Food taste	Good value	Clean
Good value	Friendly	No rush
Good service	Pleasant atmosphere	Well-trained staff
Friendly	Service attitude	Friendly
No wait for table	Variety	Service attitude
Consistency	No rush	Honor reservation
Well-trained staff	Consistency	Variety
Service attitude	Well-trained staff	Consistency
Pleasant atmosphere	Speed	First impression
No rush	No wait for table	Good value (food)
Good lighting	No wait for food	No wait for table
Variety	First impression	No wait for food
First impression	Good lighting	Speed
Honor reservation	Honor reservation	Good lighting

Fast-food customers care more about speed than food quality.

continued from page 78

Customer "wish lists"

Finally, new questions in this year's survey asked participants to rank 18 different elements of a good dining experience at fast-food, midscale ($5 to $12 check averages) and fine-dining restaurants. The responses give a thumbnail sketch of the hierarchy of customer "wants" in each segment.

Not surprisingly, 66.4% of customers at quick-service outlets want quick service. But among midscale patrons, speed drops down to 13th in importance, three notches below "not feeling rushed." Only 38.2% of midscale diners polled say fast service adds to the dining experience. And a full 53.6% want to take their time when eating at an upscale restaurant.

Only adequate lighting is less important to these customers than speedy service. On the other hand, 65% demand *good* service, as do 63.9% of midscale patrons. Naturally, this varies with the daypart. "Quick service is most important to me at lunch," says Melull. "But quality and service are most important at dinner."

Food taste and quality also seesaw in importance from segment to segment. They are the two most vital concerns in fine dining, as one might expect, and midscale diners rank them first and fourth. But among fast-food customers, only 56.5% think food quality adds to the meal occasion, and less than half say taste is important. Rather than suggesting indifference, these results may simply mean that quick-service diners assume a certain level of execution when they choose a restaurant. They know what quality and taste to expect before they walk through the door.

Finally, one value remains fairly constant: more than 60% of all those surveyed say a clean operation is vital to dining satisfaction. Together with the 46.7% who have experienced dirty restaurants, this points out an obvious place to begin shoring up foodservice as a value in preparation for next year's 10th anniversary edition of the *R&I* Tastes of America survey. **R&I**

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Alaska Seafood Marketing Institute/King Crab (p.84-85)	28
Alaska Seafood Marketing Institute/Salmon (p.86-87)	29
Allen Canning (p.125-127)	32
Amana, A Raytheon Co. (p.129)	33
American Egg Board (p.145)	40
Athens/Apollo Food Group, Inc. (p.170)	65
Atlantic Cheinco Corp. Co. (p.169)	59
Bettcher Industries (p.164)	51
Bil Mar Foods, Inc. (p.156)	46
Buffalo China, Inc. (p.143)	39
Bunge Edible Oil Corp. (p.17)	6
CMB Direct Marketing Corp. (p.168)	
Calavo Growers of California (p.32-33)	12
Carnation Co., Foodservice (p.94-95)	70
Chef Paul Prudhomme, Cajun Majic Spices (p.165)	53
Classified Advertising (p.171-178)	
Clear Springs Trout (p.106-107)	73
Coco Lopez (p.166)	54
Colombo, Inc., Frozen Yogurt (p.147)	42
ComSource Foodservice Co., Inc., North American Marketing Div. (p.133-136)	188
Continental Coffee Products (p.IBC)	66
Cryovac Div., W.R. Grace & Co. (p.155)	45
Custom Foods (p.76-77)	68
Delta Pride Catfish (p.79)	69
Durkee-French Foods, Inc. (p.83)	27
Electric Eel Mfg. Co., Inc. (p.169)	60
Farmland Foods, Inc. (p.4)	3
Fort Howard Corporation (p.26-27,28-29)	9,10
Frymaster Corp., Div. of Welbilt Corp. (p.163)	49
Harris/3M (p.92-93)	22
Heinz Co., H. J. (p.18-19,18-A-18-B)	7
Hunt-Wesson Foodservice Div. (p.7,8-9,10)	4
Iceland Seafood Corp. (p.55-58)	19
Idaho Potato Commission (p.105)	72
John Morrell (p.153)	44
Katchall Industries, Inc. (p.169)	58
Kikkoman Int'l. Inc., (p.80-81)	26
Land O Lakes, Inc. (p.IFC)	1
Lawry's Foods, Inc., Food Service Div. (p.138-139)	38
Libbey Glass Foodservice, Libbey Glass Div. (p.31)	11
Liquid Packaging (p.170)	63
McGlaughlin Oil (p.170)	64
Meier's Wine Cellar (p.170)	62
Merico, Inc. (p.3)	2
Minor Corp., L.J. (p.15)	
National Pork Producers Council (p.113-116,117)	75
Nordic Track (p.72)	
North American Marketing Div., ComSource Foodservice Co., Inc. (p.133-136)	188
Ore-Ida Foods, Inc. (p.35-37)	13,14
Oscar Mayer & Co., Inc. (p.102-103)	71
Perdue Foods, Inc. (p.131)	35
Phillip Morris USA (p.137)	37
Pierce Foods Corp. (p.65-68)	50
Pillsbury Food Service (p.131)	36
Pioneer Flour Mills (p.96,97)	24,25
Polar King (p.167)	56
Procter & Gamble, Folgers (p.70-71)	21
Procter & Gamble, Whirl (p.BC)	67
Ragu Foodservice (p.22-23)	8
Reynolds Metals Co., Foodservice Packaging (p.73)	23
Riceland Foods (p.62-63)	20
Rich Products Corporation (p.109,111)	74
Rubbermaid Commercial Products, Inc. (p.51-52)	17
Sargento Food Service Corp. (p.53)	18

continued on page 179

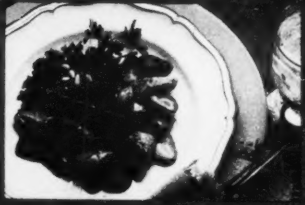
RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800.

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business-Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in February, March, June, August and October) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1988 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President/CEO; Robert L. Krakoff, Executive Vice President; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, $95; Canada/Mexico, $105; other countries, $130 for surface mail and $215 for air mail. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

C1850-3
12/30/88

PIECES OF '88: R&I'S BRIGHT IDEAS AND USEFUL INFO...30
R&I Report: Growth potential in Hispanic market.....22
Calendar: Mardi Gras and other 1989 celebrations....40
Product review: Best items and ideas of 1988.........105



Contemporary entrees bear fruit.............88

DECEMBER 23, 1988

A Cahners publication serving the total foodservice industry

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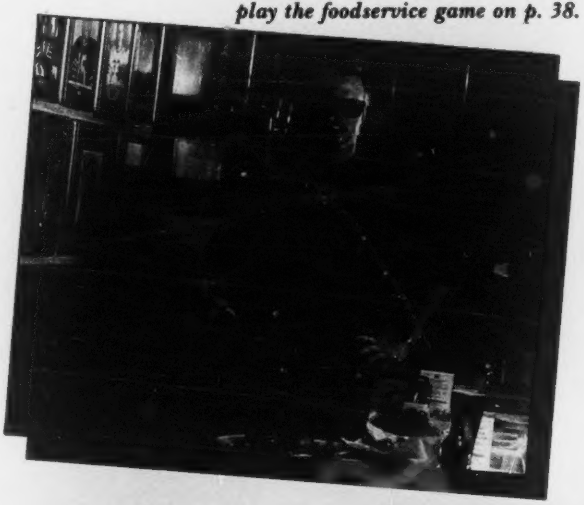
WARM DISHES BRING
WINTER CHEER

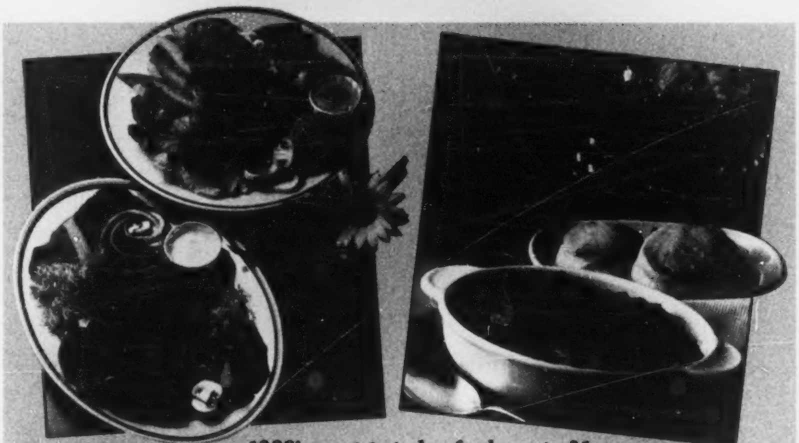
DEC. 23, 1988

CONTENTS

Vol. 98 No. 31

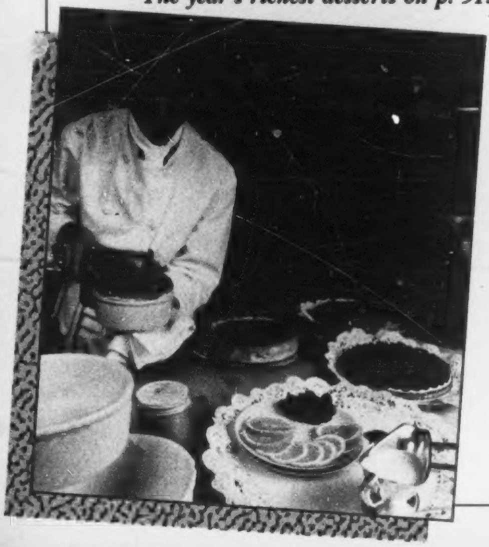
Chicago Bear McMahon and others play the foodservice game on p. 38.





1988's most popular foods on p. 31.

The year's richest desserts on p. 31.



JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

COMMENTS

The French know how . . . 9
Operations in this issue 9

VIEWPOINT

The foodservice agenda 12

R&I FORUM

Operator's opinion 16

R&I REPORT

Marketing: Hispanic growth offers opportunities 22
Education: Foundation responds to training needs 26

R&I EXCLUSIVE

Operators Guide: "Pieces of '88" is a potpourri of facts, fads and fancies that *R&I* editors have collected throughout the year. You'll find food and service ideas, tips for saving time and money, lists that sum up the market and its trends. 30

EQUIPMENT

Ice Machines: The right machine takes the chill out of ice production 66

MARKETPLACE

Menu Merchandising: Fruit heightens entree flavors 88
Fruit in Entree Products 96
Product Development: Insta-Clens hand-cleansing system keeps things clean 100
Buyers Mart: *R&I* reviews the best in 1988 products 105

CLASSIFIED ADS

Buying, selling, changing jobs 126

ACTION EXPRESS

For product information 132

ADVERTISERS INDEX

Where to find ads in this issue 132

READER SERVICE CARD

To send for more information 133

ABOUT THE COVER

That special dessert, served with warmth and taste, will give customers a holiday glow.

Food Facilities & Energy News, a service of the American Gas Association, follows page 68

PIECES OF '88

continued from page 40

HELP
WANTED

MOST SUCCESSFUL RETENTION TACTICS

Retaining managers is a top priority for most restaurants and institutions. Here are some proven ways to succeed:

▶Implement merit bonuses and tie more regular salary reviews to performance.

▶Offer profit-sharing incentives and/or stock ownership (owners perform better).

▶Identify competencies critical to job success and conduct interviews to see if candidates have compatible abilities and personalities.

▶Provide clear job descriptions; instill a greater sense of company pride; develop an employee advisory board.

These are some of the best methods for keeping hourly workers on the job:

▶Pay starting salaries comfortably above the minimum wage, offer generous benefits plans and provide flexible working hours.

▶Start an educational assistance program and provide a formal career path.

▶Base a bonus plan on length of service and recognize achievements to raise self-esteem.

▶Redesign uniforms to please young employees.

The latest in retention tools, foodborne illness factors and recommended reading.

Few factors contribute to most foodborne illnesses.

LEADING CAUSES OF FOODBORNE ILLNESS

An investigation of 660 outbreaks of foodborne disease in foodservice establishments (1973-1982) identified these culprits:

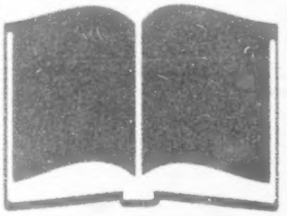
Contributory factor	No.	%
Improper cooling	366	55.8
Lapse of 12 or more hours between preparing and eating	203	30.8
Colonized person handling implicated food	160	24.2
Inadequate reheating	130	19.7
Improper hot holding	107	16.2
Contaminated raw food/ ingredient	58	8.8
Obtaining food from unsafe source	42	6.4
Cross contamination	31	4.7

Source: Dr. Frank Bryan, Food Safety Consultation and Training, Tucker, Ga.

BOOKS NO KITCHEN SHOULD BE WITHOUT

We asked Barry Bluestein, part owner of Season to Taste Books Ltd. in Chicago, to recommend a list of books essential to every restaurant kitchen:

The Baby Cookbook
Karin Knight R.N.
and Jeannie Lumby
The Classic Chinese Cookbook
Mai Leung
Cook's Ingredients
Philip Powell
and Adrian Bailey
Food for Fifty
Grace Shugart, Mary Molt
and Maxine Wilson
Gourmet Cooking Without Salt
Eleanor P. Brenner
Kitchen Herbs
Sal Gilbertie
Larousse Gastronomique
Jenifer Harvey Lang
Mastering the Art of French Cooking (vols. I and II)
Julia Child
More Classic Italian Cooking
Marcella Hazan
Nantucket Open-House Cookbook
Sarah Leah Chade
The New Laurel's Kitchen
Laurel Robertson, Carol Finders and Brian Ruppenthal
The New York Times Cookbook
Craig Claiborne
Paula Wolfert's World of Food
Paula Wolfert
The Roux Brothers on Patisseries
Michael and Albert Roux
Wine
Hugh Johnson



continued on page 48

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

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Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone 415/981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: 03/366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
Above View, Inc. (p.124)	47
Allen Canning (p.41-43)	14
Alto-Shaam, Inc. (p.49-54)	16,17,18,19
American Gas Association (p.69-84)	190,235-240
American Gas/Hobart (p.IBC)	54
American Gas/Midco Int'l., Ember-Glo® Division (p.121)	40
Ameritech Public Communication (p.84-D)	58
Anchor Hocking (p.45)	15
Athens/Apollo Food Group, Inc. (p.123)	43
Avoco (p.119)	39
Avtec Industries, Inc. (p.125)	52
Bridgford Foods (p.23)	11
Buffalo China, Inc. (p.3)	1
Bunge Edible Oil Corp. (p.17)	8
Calavo Growers of California (p.24-25)	12
Carnation Co., Foodservice (p.102-103)	32
Classified (p.126-130)	
Coco Lopez (p.122)	41
Commercial Aluminum Cookware Co. (p.104)	33
Dixie Crystals/Savannah Food & Industries, Inc. (p.86-87)	29
Durkee Foodservice Group (p.117)	38
Durkee-French Foods, Inc. (p.107)	34
Equal Low Calorie Sweetner (p.6-7)	3
Fort Howard Corporation (p.18-19)	9
Georgia Pacific (p.64-65)	26
Grey Poupon, Nabisco Brand (p10-11)	5
The Hall China Co. (p.60)	23
Hobart/American Gas (p.IBC)	54
Hunt-Wesson Foodservice Div. (p.5,8)	2,4
Katchall Industries, Inc. (p.123)	42
Keating, of Chicago, Inc. (p.125)	53
Kellogg Company (p.39)	
Kold-Draft (p.111)	36
Lawry's Foods, Inc., Food Service Div. (p.108-109)	35
Marzetti Company, T. (p.84-C)	57
Midco Int'l., Ember-Glo® Div., American Gas (p.121)	40
Molded Fiber Glass Tray Co. (p.125)	51
Nabisco Brands Inc., Foodservice Div. (p.10-11)	5
National Federation of Coffee Growers of Columbia (p.BC)	55
National Honey Board (p.98-99)	31
Ocean Garden Products, Inc. (p.13)	6
Oneida, Ltd. (p.113)	37
Ore-Ida Foods, Inc. (p.27-29)	13
Pierce Foods Corp. (p.46-47)	50
Pioneer Flour Mills (p.56,57)	20,21
Pittsburgh Corning (p.124)	46
Ragu Foodservice (p.20-21)	10
Riceland Foods (p.58-59)	22
Rich Products Corporation (p.95,97)	30
Savannah Foods & Industries Inc./Dixie Crystals (p.86-87)	29
Sherman Specialty Co. (p.125)	49
The Southern Company (p.84-A-84-B)	56
Southern Ca., Gas (p.84-F-84-G)	59
Sugar Foods Corp. (p.14-15)	7
Taylor Woodcraft (p.123)	44
Tomlinson Industries (p.124)	48
Tyson Foods, Inc. (p.34-35,36-37,90-91,92-93)	100
Uncle Ben's Foods (p.IFC)	
Vogt Machine Co., Henry (p.67)	27
Vulcan-Hart (p.68)	28
Weaver Foodservice (p.61)	24
Welbilt Corp. (p.62-63)	25
Winston Products Co. (p.123)	45

PRODUCT RETRIEVAL

FRUIT IN ENTREE PRODUCTS

Page 96	Inquiry No.
Pineapple (Dole Packaged Foods)	338
Washington Apples (Washington Apple Commission)	337

continued on page 131

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C1850-3
1/16/89

R&I 1989 INDUSTRY FORECAST: REAL GROWTH OF 1.4%...32
R&I thought leaders pinpoint year's key challenges....43
Hot spots: Catering, contractors and convenience.....79
Food: New flavor secrets for every kind of meat......166

Taste: 20 trends in food and operations.146

JANUARY 9, 1989
A Cahners publication serving the total foodservice industry

RESTAURANTS & INSTITUTIONS

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JAN. 9, 1989

CONTENTS

VOL. 99 NO. 1

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

COMMENTS

Burning old man gloom . . . 11
Operations in this issue 11

VIEWPOINT

1989 outlook . . . 14

R&I FORUM

Letters 18

R&I REPORT

Franchising: Frank talk strengthens franchise relations 22
Industry Issues: State initiatives yield good and bad news 24
Sanitation: Unicode proposal heavily criticized 28

R&I EXCLUSIVE

Foodservice Market: *R&I* presents its 1989 Annual Forecast. Segmented outlooks follow an overview of what's in store for the foodservice industry in the new year. 32
Full service 46
Fast food 52
Lodging 58
Retail 63
Supermarkets 66
Recreation 70
C-stores 74
Catering 79
Employee feeding 82
Schools 88
Hospitals 94
Colleges & Universities 98
Military 100
Nursing home & Life care 102
Transportation 108

TASTE

Under the Silver Dome: Twenty top trends for 1989 146

LIQUID ASSETS

Glossary: Learning the language of wine 153

EQUIPMENT

Trends Outlook: Systems for saving 157

FOOD

Center of the Plate: Meat comes into flavor 166

MARKETPLACE

Buyers Mart 181

CLASSIFIED ADS

Buying, selling, changing jobs 201

ACTION EXPRESS

For product information 210

ADVERTISERS INDEX

Where to find ads in this issue 210

READER SERVICE CARD

To send for more information 211

R&I EXCLUSIVE

FOODSERVICE MARKET

ANNUAL FORECAST 1989

Foodservice industry will advance to $215 billion on real growth of 1.4%.

While the American economy waits anxiously for positive signals from a new administration in Washington, D.C., the foodservice industry moves forward steadily, as it has done for the last five years. If there is any doubt about the vitality of foodservice as a leading indicator of the economy, a quick look at its growth during this period will reassure not only operators but investors that it's a bellwether business. In 1985 the industry recorded total sales of $162 billion. For 1989 ***Restaurants & Institutions*** forecasts total sales of $215 billion, a gain of more than $50 billion.

During the volatile economic year since the crash of October 1988, foodservice continues to outperform the all-industry average. The 40th Forbes Report on American Industry shows the industry with a return on equity of 17% versus a median of 12.8%, sales growth of 10.5% versus 6.8% and earnings growth of 7.2% versus 5.3%.

Foodservice continues to lead other industries such as housing, automaking and electronics in total sales. It continues to gain a greater share of all food dollars spent in America, moving up another point to 45% versus 55% for retail food, a gain of 20 share points since 1960. The average family's weekly expenditure on food away from home is at an all-time high of $31.72. And 33% of consumers surveyed by ***R&I*** indicate they will eat out more frequently in 1989.

Real growth for 1989 will be 1.4% on a base of $203 billion, or

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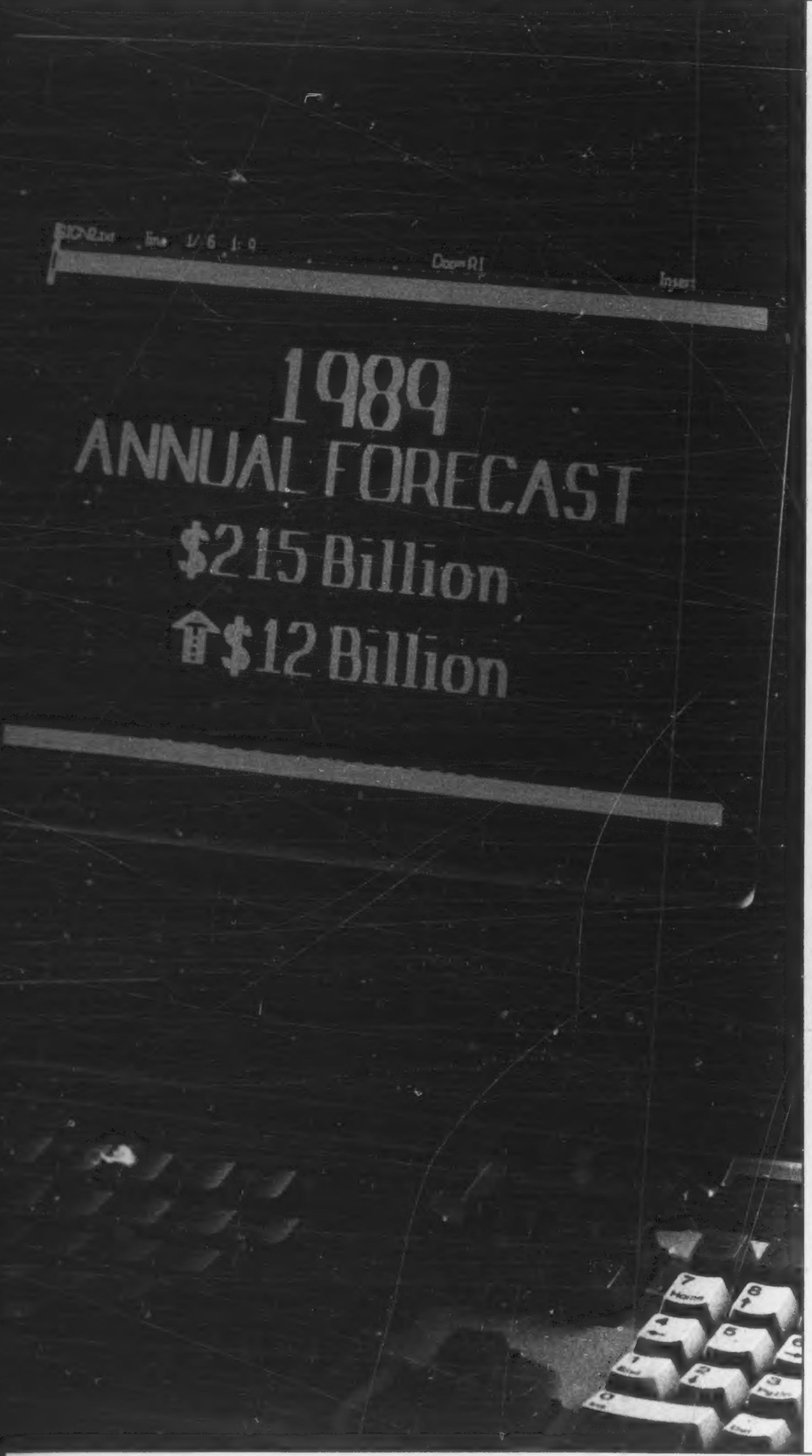


MACROECONOMIC INDICATORS

GNP: + 2%

Disposable Income: + 1.6%

Employment: + 1.6%

Consumer Spending: + 1.3%

Prime Rate: (10.5%)

All economic indicators are positive; prime should move up; deficits key to inflation.

FOODSERVICE INDICATORS

Employment in Eating and Drinking Places: + 2.5%

CPI, Food away from Home: + 4.8%

CPI, Food at Home: + 5%

Women in Labor Force: (57.7%)

Average Weekly Dollars Spent on Food away from Home: $31.72 (+ $.65 over 1987)

All indicators say the industry can consolidate recent gains and plan on modest expansion.

TOTAL FOODSERVICE INDUSTRY

1986 Sales: $178.6 billion
Real Growth: 2.9%
Nominal Growth: 6.8%

Sales: $192.2 billion
Real Growth: 3.7%
Nominal Growth: 7.7%

1988 Sales: $203.1 billion
Real Growth: 1.5%
Nominal Growth: 5.7%

1989 Sales: $215.7 billion
Real Growth: 1.4%
Nominal Growth: 6.2%

All figures for 1989 are forecast.

1989 ANNUAL FORECAST

BARTLETT'S FORECAST QUOTATIONS

■ **Quality Quest: "Now that we've enjoyed a decade of explosive creativity testing the limits of new concepts and new foods, the industry will spend the next few years concentrating on how well it can execute these ideas."**

■ **High Touch and High Tech: "As we search for answers to labor solutions, we will turn increasingly to new technologies to expedite service. At the same time we use machines more readily, we will focus even more on how well our people treat our customers."**

■ **One Industry under Foodservice: "We will continue to follow the path toward a more homogenous industry. This does not mean plain vanilla. It means that increased communication and the search for excellence in technique will see disparate segments using proven methods to deliver food to the consumer. If the consumer demands takeout in every segment, there will be takeout in every segment, and so on."**

■ **Great Battles of the Decade: 'Independents of all kinds, whether commercial or institutional, will face the fights of their lives as they contend with pressures from chains and contractors. Conversely, the "multiconcept" organizations with a number of independent restaurants under one umbrella will continue to grow and become a major force in shaping industry trends."**

"A restaurant is only as good as the worst service it gives to one customer."

$12.6 billion. To put this in perspective, industry growth during the coming year will be more than: A. Total U.S. sales for McDonald's ($10.6 billion), B. Combined sales for PepsiCo and Pillsbury foodservice ($12.5 billion), C. Combined sales for Wendy's, Hardee's and Domino's Pizza ($7.1 billion) and D. Total food and beverage sales for the entire hotel/motel segment ($7.7 billion).

This year's *R&I* forecast also demonstrates continued change within the total industry, specifically the changing relationship between commercial and institutional operations. In 1986 the commercial segment showed real growth of 3.6% versus 1.1% for institutional; in 1987 commercial had an even bigger gain of 4.3% versus 1.7% for institutional. But in the last two years the institutional side has grown faster and now the gap between the two has narrowed to projected growth of 1.3% for commercial versus 0.8% for institutional in 1989.

More importantly, this year's forecast breaks out the full-service and fast-food segments into subsegments, which more accurately reflect the complexity of the foodservice market. Full service comprises fine dining, casual/theme restaurants, cafeterias and family restaurants/coffee shops. Fast food is broken down into seven menu types—hamburger, sandwich, chicken, Mexican, sweets, seafood and pizza. We are also including projected real-growth rates and total sales.

From an analytical viewpoint, our individual segment reports show the impact of a changing economy, key industry issues and important demographics. At a recent conference on consumer demographics, experts identified two groups, aging baby boomers and the mature market (55 and over), as the most important. While people have grown tired of hearing about yuppies, the fact is that they still control a great amount of discretionary spending power, as do the over-55 crowd, and both spend heavily on food away from home. Therefore, marketing plans by any operator have to include strategies to reach these top targets.

Economically, we have rebounded from the shock of last October, when the Dow Jones Industrial Average plummeted to 1700. In early 1989, the Dow is staying in the 2050-2100 range and has been steady. Other more critical factors, such as the budget deficit and trade imbalance, have not been solved and are in the hands of President Bush and a Democrat-controlled Congress. Until these are dealt with, the dollar will likely suffer. Inflation could become a reality and, coupled with the drought and increased food costs, poses pricing problems.

In 1988 the leverage game accelerated dramatically. The corporate interest bill went to 24% of corporate cash flow. Debt rose to $207 billion, while equity fell to minus-$140 billion. As the year drew to a close, takeovers and buyouts reached fever pitch, causing concern and debate within the financial community. A number of major food and foodservice companies were involved in this activity, including Kraft, Pillsbury, RJR/Nabisco, Southland and TWA. Even McDonald's was not ruled out as a takeover target. Together with previous buying and selling deals, the increasing consolidation of distribution channels and growing acrimony between suppliers and distributors, the final picture is very uncertain and confusing. The industry should weather this activity well enough.

In spite of this ferment, restaurant industry investment experts believe the

Some fast-food chains cater to health-conscious customers.

RESTAURANTS & INSTITUTIONS

Supermarket salad bars and delis are growing like gangbusters.

industry is going through what one terms "the transition from a 'shakeout' stage into a 'mature' stage." Four positive trends are cited: 1) Margins are beginning to increase after declining for some time, 2) Same-store sales continue to firm, 3) Cash flow after capital expenditures is shifting from negative to positive, and 4) The capacity to raise dividends is expected to increase in the next three years.

As for key industry issues, every operator faces the specter of government intervention, whether in the form of mandated benefits or restrictions that hamper efficiency. The industry will need to speak with one voice to win legislative battles on both the federal and state levels. Already struggling, many smaller independents could go out of business if new regulations are not phased in gradually.

How to attract people to work in the industry continues to vex everyone. Reaching into untapped labor pools, such as older workers and disabled people, and focusing on retention will be the best ways to solve the problem.

There will be more emphasis on refining internal operations in the interest of satisfying a more demanding customer. To achieve this goal, improved conditions for employees, better training, emphasis on management skills, and efficient use of product and systems will get priority treatment. Paying attention to the basics will be critical to succeeding.

After a period of great expansion in the 1970s, foodservice has learned to place how well above how much and how many, and this is why it will prosper in the coming year.

—Michael Bartlett

continued on page 42

THOUGHT LEADERS ON KEY INDUSTRY ISSUES

In an exclusive *R&I* Thought Leader Survey conducted for the 1989 Annual Forecast, industry leaders commented on key issues facing operators.

Of the 19 issues presented to our thought leaders, "Service issues and customer satisfaction" was chosen by 96% as the most important challenge. Significantly, two other human factor issues, "Management training and development" and "Worker availability/cost of labor," were the next major areas of concern.

After these were two other current problems, "Cost of food and supplies" and "Government regulation pertaining to your business."

Following are specific comments:

Competition

Scott Bergren, president, Round Table Pizza: "Business in our segment right now reflects the worst of the restaurant industry because of the ease of entry in our segment. The common denominator is overpenetration."

John Farquharson, president, ARA Services: "Competition keeps us going. That's where the challenge always comes from. I think it's healthy, and philosophically I place high importance on it. At times I wish some of the competitors weren't there, but I know deep down that's what keeps us sharp, keeps us moving in the right direction."

Stephen Elmont, president, Creative Gourmets: "I spend a lot of time figuring out how to stay ahead of the competition by three years. Also, in the creating of new products through market research, which we do ourselves."

Future Growth

Glenn Jeffrey, vice president, Executive Development, Pillsbury Restaurant Group: "We're entering a period of relatively slow growth and less discretionary income than we've had in the past. I think that's going to result in fewer dollars chasing even more restaurant options. It's going to be tough going for the restaurant industry for the foreseeable future."

Labor Crisis

Dorothy Van Egmond-Pannell, Fairfax County Schools: "The labor market is becoming tighter. The peak of the problem will be in about two years and will have a tremendous impact on us. I don't see relief until the mid-1990s. By that time, we'll have had to alter our operations to deal with the crunch and may not have the need for the labor that does come available."

Minimum Wage

Joseph Fassler, president & COO, Greyhound Food Management: "I pay more than minimum wage in most cases, and I base the wage on supply and demand and on increased productivity. Increasing the minimum wage without a corresponding increase in productivity is a tremendous mistake."

Management Innovation

Frank Havilin, F&B director, Disney World: "With our new hotel openings and new projects, we expect a 15%-20% increase in overall volume. Profits are advancing due to more intense management and new innovations in systems and organization."

Employee Motivation

Thomas Hensley, president, Druthers: "Most people see jobs in foodservice, particularly in fast food, as unglamorous and not career-oriented. There are some wonderful jobs and opportunities in our industry. We have done a terrible job of selling ourselves and the opportunities to the general public and getting them to understand how exciting it is."

Importance of Service

Charles Haskell, Lettuce Entertain You Enterprises, Inc.: "If you can make customers feel good—feel like you care about them—besides serving them a great meal, then it's going to be turned into perceived value. The restaurant is only as good as the worst service it gives to one customer."

Food Costs

Marcel Desaulniers, Trellis Restaurant: "We must stay on top of product costs to make sure that a price change is market-wide. The only way to do this is to shop around."

Marjorie Beasley, foodservice director, Bloomington (Ind.) Hospital: "We are making careful evaluations of the products to be sure we are getting the lowest price."

1989 ANNUAL FORECAST

Full service, fast food total $135 billion with 60% share.

R&I's 1989 Annual Forecast shows every segment but one making gains during the coming year. The single exception will be colleges and universities, with real growth of −0.4%, due primarily to flat enrollments and continuing pressure from fast-food chains, which draw off business.

Otherwise, 14 of 15 segments will move up. The largest jump will be registered by supermarket foodservice, which should grow at the rate of +8.2%. Supermarkets thus supplant convenience stores as the hottest single growth segment in foodservice and trends indicate that foodservice in retail food environments will continue as the leading growth area on a percentage basis well into the 1990s.

Convenience stores will gain +5.4%, and if the chains begin to commit heavily to more sophisticated foodservice operations, then they will begin to capture the market share many thought they would have two years ago. Presently c-stores own only a 1.1% share.

The next three spots in the overall segment ranking are held by institutional operations—employee feeding, schools and hospitals. In spite of challenges over the last five years, hospitals continue to grow, even if modestly (+0.2% in 1989). Employee feeding will grow about 1.0% on a base of $15.4 billion and schools will be up 1.2%. Thanks to the "echo boom" bringing more children into the systems, schools should see steady growth during the first part of the 1990s.

The nursing-home and life-care segments continue to grow rapidly as life expectancy increases and attitudes about aging lead to a variety of eldercare opportunities. Both contractors and hotels are aiming to capture some of this market.

Hotels themselves are stabilizing in occupancy counts and are using food and beverage as leverage to win more business. The contractors are expected to capture a larger share of institutional segments, such as employee feeding and hospitals.

COMMERCIAL SEGMENTS

FULL SERVICE

1989 sales: $75.4 billion

1989 beverage alcohol sales: $20.4 billion †

Real growth: 1%

Market share: 34.9%

Units: 187,700 †

FAST FOOD

1989 sales: $58.9 billion

1989 beverage alcohol sales: $686 million

Real growth: 2.2%

Market share: 27.3%

Units: 151,000

SUPERMARKETS

1989 sales: $2.8 billion

Real growth: 8.2%

Market share: 1.3%

Units: 15,000

RECREATION

1989 sales: $2.7 billion

1989 beverage alcohol sales: $386 million

Real growth: 1.8%

Market share: 1.3%

Units: 25,500

EMPLOYEE FEEDING

1989 sales: $15.5 billion

1989 beverage alcohol sales: $48 million

Real growth: 1%

Market share: 7.2%

Units: 16,000

SCHOOLS

1989 sales: $14.9 billion

Real growth: 1.2%

Market share: 6.9%

Units: 89,000

MILITARY

1989 sales: $5 billion

1989 beverage alcohol sales: $401 million

Real growth: 0.1%

Market share: 2.3%

Units: 3,320

NURSING HOMES & LIFE CARE

1989 sales: $4.5 billion

1989 beverage alcohol sales: $23 million

Real growth: 2.1%

Market share: 2.1%

Units: 25,650

1988 *Restaurants & Institutions*, a Cahners publication.

† includes separate drinking places

Source for unit figures: Technomic Inc.

LODGING

1989 sales: $8.5 billion
1989 beverage alcohol sales: $3.5 billion
Real growth: 0.5%
Market share: 3.9%
Units: 25,600

RETAIL

1989 sales: $2.8 billion
1989 beverage alcohol sales: $3 million
Real growth: 0.2%
Market share: 1.3%
Units: 29,000

C-STORES

1989 sales: $2.4 billion
Real growth: 5.4%
Market share: 1.1%
Units: 53,000

TOTAL COMMERCIAL

1989 sales: $153.5 billion
1989 beverage alcohol sales: $24.9 billion
Real growth: 1.6%
Market share: 71.6%
Units: 486,800

HOSPITALS

1989 sales: $10.4 billion
1989 beverage alcohol sales: $22 million
Real growth: 0.2%
Market share: 4.8%
Units: 6,985

COLLEGES & UNIVERSITIES

1989 sales: $7 billion
1989 beverage alcohol sales: $38 million
Real growth: 0.4%
Market share: 3.2%
Units: 3,350

TRANSPORTATION

1989 sales: $3 billion
1989 beverage alcohol sales: $493 million
Real growth: 1.5%
Market share: 1.4%
Units: 350

TOTAL INSTITUTIONAL

1989 sales: $62.2 billion
1989 beverage alcohol sales: $1.03 billion
Real growth: 0.8%
Market share: 28.4%
Units: 147,155

ABOUT *R&I*'S 1989 FORECAST

Restaurants & Institutions' Annual Market Forecast is compiled by the magazine's Bureau of Foodservice Research in conjunction with the Cahners Department of Economics.

The forecast is based on a variety of macroeconomic indicators, including consumer spending, employment and the prime rate, as well as foodservice-specific trends, such as the Consumer Price Index for food away from home and employment in eating and drinking places. Sales figures for 1988 have been revised from those published in *R&I*'s 1988 Forecast to reflect what actually occurred in the marketplace during the year. Therefore, real growth figures quoted in this issue are based on revised sales figures.

In the institutional segments, figures are calculated as commercial sales equivalents, based on food purchases. Food contractor sales are included in the segment where they occur. "Other" foodservice includes primarily fraternal clubs, prisons and recreational camps; the sales forecast for this category, which has a 1% market share, is 1.5%.

Commercial cafeterias and food sales from separate drinking places are included in the full-service segment.

continued on page 46

1989 ANNUAL FORECAST

FULL SERVICE

Full-service operators expect flat to moderate sales increases, with the bulk going to casual-upscale and midscale restaurants. Profits will rise for operators who can contain labor- and food-cost increases without drastic menu-price increases.

Real growth: 1%

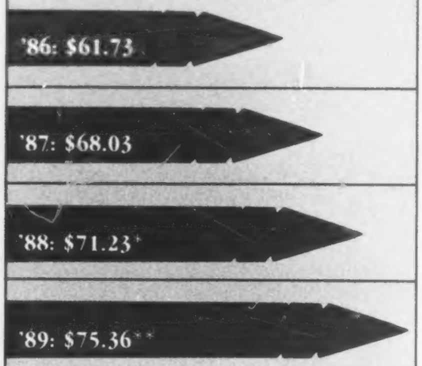
1989 sales: $75.4 billion

1989 beverage alcohol sales: $20.4 billion†

Market share: 34.9%

Units: 187,700 †

Combined food and non-alcoholic beverage sales in billions, 1986-89:



1988 *Restaurants & Institutions*, a Cahners publication.
*preliminary **forecast † includes separate drinking places

■ FULL SERVICE

1989 will find upscale and midscale restaurant operators handling customers with care.

This year and the foreseeable future will present full-service operators with three challenges: dealing with government legislation; hiring, training and retaining help; and working around drought-related and cyclical food-cost increases. These factors, however, do not weigh equally for fine-dining, casual/theme and family restaurant operators.

Fine dining ($50-plus check averages) will continue to be the group most affected by the 80% business-meal deduction. Operators report that the number of business customers has dropped and that those who are conducting business over lunch or dinner are spending less money on the meal. The decline is expected to continue, especially if the deduction drops to 50% this year.

Other proposed legislation, namely a minimum-wage increase, also would affect fine dining, though perhaps not as heavily as it would midscale restaurants, whose employees tend to be younger and more transient. "We don't have many problems with the work force," says André Soltner, chef-owner of New York's Lutèce. Soltner is alluding to fine-dining waiters who earn comfortable incomes through wages and tips, and who make careers out of waiting tables at prestigious restaurants. For instance, thanks to an 18% automatic service charge at Rattlesnake Club restaurants in Denver and Detroit, waiters average $12 an hour and busing staff $6 an hour, according to Jimmy Schmidt, chef and partner.

Higher wages will hit fine dining hardest in the back of the house and may result in reductions of the number of busing staff and dishwashers restaurants employ. The pool of people willing to work in starting-level occupations is already low, a situation caused in part by the amnesty program for immigrants.

Fewer support staffers also make it more difficult for fine-dining operators to offer the level of service that customers expect in expensive restaurants.

Plans to deal with higher food costs, both drought-related and cyclical, range from raising prices on non-listed specials to leaving prices alone and cutting spending elsewhere, such as in equipment and supplies purchases. Still other operators say the days of passing price increases to customers are gone. "There comes a point when you have to absorb much more than what you're able to pass on to the customer," says George Lang, owner of Café des Artistes, New York.

Uncertainty about general business conditions and consumer confidence add to the unpromising outlook for fine dining. Several operators say they will continue to feel the effect of 1987's stock-market crash. "People became more cautious about spending after firms closed and jobs were cut," says Schmidt. "They are making sure that events have a business purpose and are not just for entertainment." Since 100% deductibility still applies to functions staged in offices, many companies

Upscale restaurants such as the Pump Room benefit from tourism.

FULL-SERVICE SEGMENT BREAKDOWN

Segment	'89 real growth	'89 sales
Fine dining	0.3%	$ 8.0 billion
Casual/theme	1.4	32.8
Cafeterias	1.2	3.9
Family dining	0.7	30.6

have taken their client-entertainment business from restaurants and handed it to off-premises caterers.

Even the best restaurants in the country are not immune to consumer-spending cutbacks, which most operators expect will result in fewer visits to expensive restaurants. "Business is difficult now, and I don't see a great future," says Soltner. "I will be happy if business is level with 1988."

Fine dining's loss of customers will result in a gain for cafe and bistro restaurants (check averages between $20 and $25). A greater selection of small, reasonably priced appetizers and tasting dishes, more emphasis on wines by the glass and the relaxed atmosphere of bistros and cafes will attract fine-dining customers who want a comfortable, somewhat expensive meal, but who place a premium on price value.

Ralph Brennan of Mr. B's, New Orleans, predicts that customers will save fine dining for special events and visit bistros for regular meal occasions and spur-of-the-moment meals out. "People are moving to this level of dining," he says. "Business definitely will be up this year."

While Soltner and Schmidt are more concerned about service staff, Brennan says he is worried about finding talented cooks and chefs. "We don't get as many culinary grads down here," he notes, adding that he pays premium wages for kitchen help.

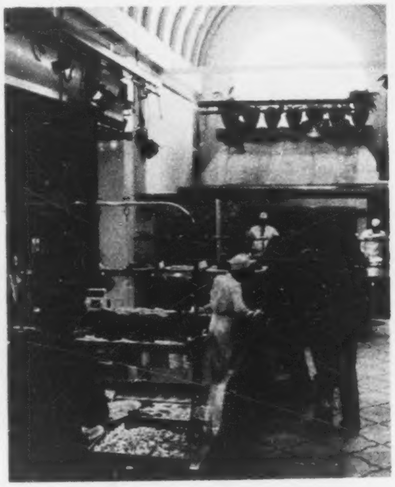
Nancy Barocci, owner of Convito Italiano, an upscale Italian cafe in Chicago, expects moderately good growth this year for her restaurant and very good growth for her catering service and Italian grocery store. Her biggest problem—aside from staffing—is successfully marketing all three facets of the business. "People who use our catering services don't know we have a restaurant, and grocery-store customers don't know we have a catering service," she explains.

Because so many of Convito's staples are imported from Italy, Barocci's food-costs concerns center around the strength of the dollar. But, she says, enough of the restaurant's menu items and the grocery store's ready-to-eat foods are made from American goods to partially offset the problem of a weak dollar. Being a specialty store also causes labor problems beyond those of most restaurateurs: Barocci likes to staff the retail section with people who can quickly learn a great deal about Italian food. "I just think customers expect more from our sales people," she says.

Executives at T.G.I. Friday's, the chain of midscale dinner houses ($12 to $20 check averages), have borrowed from both upscale bistros and Italian restaurants in an attempt to capture cafe-inclined customers. A new menu, introduced last June, features fewer burgers and more pasta and chicken entrees, more appetizers and greater selections of wines by the glass and imported beers. The menu, which boosted check averages and unit volumes, had a good effect on year-end figures, Friday's executives say.

Due to the new positioning, which also succeeds in placing Friday's one notch above Bennigan's and Houlihan's, the chain expects the sales momentum to continue this year. "Al-

Convito Italiano's multiple services pose a marketing challenge for owner Nancy Barocci.



FULL-SERVICE INFLUENCES FOR 1989

■ Labor and food costs, this year's biggest concerns for full-service operators, directly affect the bottom line. Reducing staff, raising non-listed menu prices, cutting spending for non-food items or absorbing costs are a few options for dealing with the problem.

■ Fine-dining traffic will continue to be slack, due to fewer business meals and the unwillingness of customers to spend a lot of money at one sitting.

■ Upscale cafes and mid-scale restaurants will garner some of fine dining's lost business. Check averages, however, may drop if customers reduce spending by skipping wine, dessert and appetizers.

■ Local economies continue to affect family dining, but this year, there's good news. Operators in Ohio, Kentucky and several midwestern states report that traffic counts are increasing. Oil Patch operators, however, continue to estimate flat sales.

BURNING ISSUES

The following operators say they will pay the most attention to these issues this year:

Richard Rivera, T.G.I. Friday's:
Training
Marketing and advertising
Service
Growth strategies

Jimmy Schmidt, Rattlesnake Club:
Management training
Menu development
Expansion strategies
Information systems
Service

Nancy Barocci, Convito Italiano:
Management training
Menu development
Worker availability
Service

Mead Grady, Club Managers Association of America:
Training and hiring
Food costs
Labor costs
Government legislation
Development of healthful menu items

Ralph Brennan, Mr. B.'s:
Labor
Menu prices
Government legislation

though the segment is mature, there is room for those who perform," says Richard Rivera, president of the Dallas-based company.

Performance means providing good service, which Rivera says will be one of the company's biggest challenges this year. "We are not doing as good a job as we can," he says, adding that new training programs and more stringent hiring guidelines should help solve the problem.

Thad Eure, whose 42nd Street Oyster Bar in Fayetteville, N.C., competes in the midscale segment, agrees with Rivera's assessment of the midscale situation. "There are so many restaurants now that it will be harder to get that little bit of growth," Eure says. "Those who think they can let incompetent managers run their restaurants won't make it." Eure, in fact, is speaking for the entire full-service segment. His Angus Barn restaurant caters to fine-dining customers, and two Fat Daddy's are family restaurants.

Eure expects stable sales and perhaps slight increases for Fat Daddy's, even though competition at the family dining level is as intense as in the midscale segment. The difference lies in low prices. When customers want to cut back spending, they generally do not stop visiting restaurants with low check averages ($5 to $8).

But unlike fine-dining and midscale restaurants, most of which are located in urban centers and cities with heavy tourist traffic, family restaurants depend on healthy local economies for sales increases. For this reason Phil Hickey, president of Cooker Restaurant Corp., Nashville, Tenn., says he thinks the company's eight Cooker restaurants will do well next year. "The economies in our areas (Columbus, Ohio; Cleveland; Indianapolis; and Nashville) have seen steady growth," he explains.

Hickey also says he is not "overly concerned" about food-cost increases or the tight labor market. He and his three partners, however, are concerned about financial markets: They hope to make a public stock offering this year.

Executives at Wyatt Cafeterias hope that the company's exit from the public arena will help soothe financial woes. On Sept. 12, the company switched to an employee stock-ownership plan, under which employees literally have a vested interest in performing well.

And since most of Wyatt's cafeterias are in depressed areas such as Texas and Oklahoma, the restaurants must strive to distinguish themselves with top-quality food and service, says H.L. Packer, chairman of the Dallas-based company. But Packer says he thinks consumer confidence is steady, not shaky, and says he does not consider it a major factor affecting sales.

He also does not subscribe to the theory that vast menus immunize cafeteria operators from food-cost increases. "People expect to see certain items when they come here—for instance, roast beef," he says. "It is a mistake to try to find substitutes for those items." Wyatt has made small menu-price increases in the past year in order to keep pace with general operating costs, Packer says.

The operators interviewed for this story agree that above all, service must not suffer at the hands of higher food costs and higher labor costs. Most say they have raised hiring standards for service employees, are spending more time and money on training, and are trying to make employees feel good about their jobs in hopes that the customer will benefit from a happy staff. Successful restaurateurs call taking such measures professional. "The time of the real restaurant professional is back," says Thad Eure. "The days of the 90-day wonder in this business are over."

—Lisa Bertagnoli

Editor's note: Thad Eure died of cancer in November. He was 56 years old.

Waiters at T.G.I. Friday's participate in extensive training programs.

continued on page 52

1989 ANNUAL FORECAST

FAST FOOD

Real sales growth for fast-food restaurants will dip slightly below last year's figure, but the segment's share of the total foodservice market will be the biggest since *R&I* began its annual forecasts in 1976.

Real growth: 2.2%

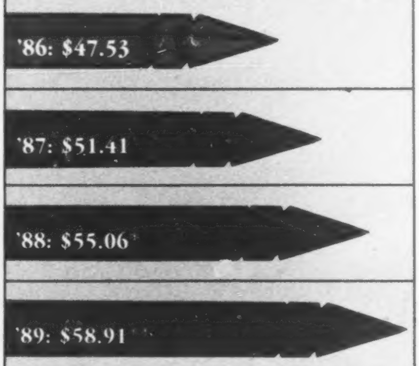
1989 sales: $58.9 billion

1989 beverage alcohol sales: $686 million

Market share: 27.3%

Units: 151,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



1988 *Restaurants & Institutions*, a Cahners publication.
*preliminary **forecast

■ **FAST FOOD**

With unit expansion on hold, chains hunker down to defend margins and market share.

Shades of 1988: The coming year will see fast food deferring unit growth for sales- and traffic-building. Squeezed by higher costs and a scarcity of both good sites and good workers, the quick-service superpowers will try to pick up extra market share. And that means a nervous year ahead for the rest of the fast-food industry.

"When elephants fight, ants die," says White Castle Advertising Vice President Chris Thomas. "We don't want to be a dead ant."

Real fast-food sales will reach $58.9 million in 1989, a 2.2% increase over last year's sales. That is a smaller jump than last year's, but it is still greater than the sales growth projected for any other foodservice category except supermarkets and convenience stores. The quick-service segment will garner 38.4% of the commercial foodservice market and 27.3% of all foodservice sales, up only two-tenths of a percentage point in each measure. But, again, that is a better market-share increase than any other segment except c-stores or supermarkets.

Unfortunately, this relatively flat performance comes at a time when a lot of other problems are converging on the fast-food industry. Higher food costs, scarce and expensive labor, the threat of burdensome legislation on wages and health benefits, and uncertainty about consumer spending are all pressuring profit margins in an industry that is still working through the overbuilding of the mid-'80s.

Of these, labor pains are causing the greatest concern because they threaten to become chronic. The maturing of the baby-boom and baby-bust generations has put American industry on the downward slope of the demographic roller coaster.

Of course, many fast-food chains are already paying a large premium over base pay to attract scarce workers. "There may be some small towns where we still pay minimum wage," says J. Patrick Ross, chairman and CEO of Rax Restaurants Inc. "But in most locations, we certainly aren't paying minimum anymore." Eventually, though, a minimum-wage increase will ratchet up most fast-food labor costs. So, while they prepare to lobby the 101st Congress on this and other labor issues, quick-service chains are emphasizing more careful recruitment, better training and longer retention of employees.

Rax's Ross thinks being forced to use scarce human resources more efficiently may actually be a good thing for fast-food chains. "We need to be more productive anyway," he says. "We haven't done much about automation or changing our methods of food production." New equipment will enhance productivity with simpler, less labor-intensive designs featuring computerized control systems.

Automation will also ease the service crunch. PepsiCo is now testing a high-speed automated drink dispenser linked to the keypad on the order-taker's computer, and selected Arby's units are using a conveyorized system to deliver orders to drive-thru customers. Following McDonald's lead last year, Hardee's has come up with its own double-sided burger cooker. And Wendy's and Arby's both are experimenting with credit-card payment systems that should speed point-of-sale transactions.

In this battle for market share, sheer size will give the top fast-food chains some big advantages when it comes to equipment research and development, advertising clout, or innovative site us-

Foreign expansion looks good next to the still-saturated domestic market.

JOHN SILVER'S
JOHN SILVER'S
Don't Miss the Boat, Join Our Crew!
NEW FRIENDS—FLEXIBLE HOURS
Catfish Dinner

FAST-FOOD SEGMENT BREAKDOWN

Segment	'89 real growth	'89 sales
Hamburger	2.0%	$27.8 billion
Pizza	3.5	11.2
Chicken	1.8	5.9
Sweets	0.6	5.7
Sandwich	2.9	3.9
Mexican	2.7	2.9
Seafood	1.2	1.5

age. One of the biggest of the big, PepsiCo, will probably build more All 'n' One units selling limited-menu versions of Kentucky Fried Chicken, Taco Bell and Pizza Hut from a single counter.

But many small concepts have a few natural advantages, too. Thomas relies on White Castle's "cult image" as a safety net for sales. "Our unique taste creates a lot of brand loyalty," he says.

Other chains reap special benefits from their unique situations. For example, Subway Sandwiches is sheltered from rising labor costs because its staff needs are so small. Richard Pilchen, marketing director for parent company Doctors Associates, says, "We depend on owner-operators, a lot of husband-and-wife teams that can cover a store with a staff of six. McDonald's needs 20 people per shift."

A breakout of sales projections by menu type shows that last year's growth categories will lead the pack again in 1989—but by nowhere near as much. For example, pizza will see a sales increase of 3.5%, a little more than half last year's jump. Pizza will account for 19% of the fast-food market this year, against 18.8% in 1988.

The pizza competitors are converging, copying each other's menu moves and marketing strategies. Bowing to the inevitability of off-premises consumption, volume leader Pizza Hut is transforming many units to "restaurant-based delivery" outlets and building new "Downtown Express" takeout counters. Both Domino's and Pizza Hut now offer two-for-one deals like Little Caesars; Godfather's promotes speedy delivery *à la* Domino's; and so many chains followed Pizza Hut into thick-crust pies that a wave of medium-crust, "hand-tossed" imitators is likely.

Unit growth here will be slow, according to Mike Raymond, Domino's group sales manager. He says discounting will continue at its present level. (About 40% of all pizza purchases last year involved some kind of rebate.) As for menu innovations, he predicts "a lot of 'in-and-out' promotional items, where chains try to generate news with different combinations of toppings, Mexican, Hawaiian and so on."

Burger sales will show some extra bounce in 1989 with a full 2% increase, after only 1.3% the previous year. In market share, however, hamburger chains will slip slightly to 47.2% of all fast-food sales. The menu trend here will continue to be crossovers that combine the variety of a deli counter with fast food's speed and streamlined preparation. McDonald's and Burger King have already beat all but KFC at selling chicken; Popeyes International President Al Copeland predicts that McDonald's can do the same in pizza if it chooses to roll out McPizza this year. Meanwhile Wendy's SuperBar has overcome its early problems, and the company is now testing Oriental and pizza items.

Market saturation and a lack of good locations will keep a lid on unit expansion among burger chains. Many observers foresee a shakeout for the "burger baby" double drive-thrus that have sprouted in parking lots around the country. "Anyone who can flip a burger can open up a shop," Copeland says. He predicts the eventual survival of three or four chains that really do their job well—"just like when burger chains started in the '40s and '50s."

Chicken's future depends on two things: a drop in chicken prices and

Tight labor will hurt both operating costs and service levels.

EAST OF EATING

U.S. chains looking for growth in 1989 may decide to go where the customers are: Asia, home to 60% of the world's people. But Japan is no longer a wide-open market for American chains: Sixty of its 80 U.S. franchises are chasing the fast-food yen. Tokyo alone has 20 different hamburger chains, foreign and domestic. Stiff competition and the sky-high price of Tokyo real estate are sending would-be franchisors to other parts of Asia. A Hong Kong venture company owned by an American insurance firm hopes to franchise six American chains around the Pacific Rim, including Round Table Pizza and Mexican, roast beef and frozen yogurt concepts. The Beijing Kentucky Fried Chicken is a tremendous success. Later this year, by the grace of *glasnost*, Muscovites should taste their first Big Macs and may get Ben & Jerry's Ice Cream for dessert if talks progress. And Pizza Hut may not be far behind: Last year, a Pepsi spot became the first U.S. ad on Russian television.

1989 ANNUAL FORECAST

WHAT'S AHEAD IN '89

- **New emphasis on programs to retain hourly workers: Fast food will begin thinking of labor as human capital rather than just another expense.**
- **Quality of training: a new point of difference. Fast-food service levels are suffering just when customer loyalties are up for grabs.**
- **Innovative site use: PepsiCo's All 'n' One units, DQ Treat Centers, other pairings will open new markets at lower cost to the operator.**
- **Equipment advances to make workers more productive: PepsiCo's automatic drink dispenser, the spread of the double-sided griddle, and credit-card payment systems.**
- **Healthful alternatives: Subway markets turkey cold cuts and McDonald's prepares new packaged salads; food bars at Rax and Wendy's are judged a success.**
- **Day shifts: Dinner, now a much less-important meal occasion than lunch, will get new attention as chains try to build unit sales.**

the development of an unfried chicken product that can be produced in volume as easily as fried food. Kentucky Fried Chicken has had such an item in test for more than a year and is said to be prepared to roll it out. Other than that, fast-food chicken's best hope is just to trim costs to the bone and pray for rain next summer. Real sales should increase by 1.8% this year, down almost half a percentage point from 1988. Chicken's share of the fast-food market will stable at about 10%.

Sweets and dessert chains will be unable to match last year's strong growth. Real sales for the segment will only increase 0.6% this year; its share of all fast-food sales will decline slightly to 9.7%. Saturation in certain areas may be part of the explanation, accoording to Michael Sullivan, CEO of International Dairy Queen. "If you go to the West Coast, you've got yogurt shops on top of yogurt shops. We're test-marketing yogurt in Denver, and I hear through the grapevine that a lot of the yogurt shops there had a down year [in 1988.]" IDQ itself is being "conservative" about its own growth for next year, largely because last summer's sales dropped inexplicably.

Kenneth Hill, president and CEO of Kansas City-based T.J. Cinnamons, stresses the need for new dessert products to build per-store sales in a segment where much recent growth has come from expansion. "We're a start-up company at this point," he says. "Our sales volume has increased through new stores, not higher unit volumes."

Many sweets chains will continue to cut costs by "twinning" with other operations, a trend that does well when the match is right. Arby's signed a franchise agreement last year to bring the Flour Pot Cookie Co. into some of its stores. Both Dunkin' Donuts and IDQ are testing twin operations with Amoco gas stations. And IDQ will expand its Treat Center concept.

Sandwich chains will have the second-best growth rate in fast food, trailing only the pizza segment. Real sales will increase 2.9%, though market share will remain steady at 9.6%. The category divides into two parts—broad menu chains such as Rax and Arby's, and those like Subway and Blimpie offering strictly sandwiches and drinks. Growth projections are similarly divided. Rax CEO Ross sees sales growth for sandwich chains falling behind unit expansion.

But Pilchen of Doctors Associates disagrees. "We had our best chain sales ever [in October '88]—increases of 6% to 10% in average unit volumes. We're a moderately priced franchise offering a moderately priced product. We're sort of recession-proof."

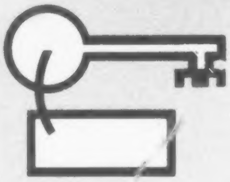
Real sales in the Mexican menu category will rise 2.7%, about half last year's increase. Mexican's share of fast-food sales will rise a bit to 4.9%. Food-price trends have both helped and hurt the segment: Poultry costs were up because of the drought, slicing into margins on popular new chicken items like fajitas; but beef prices dropped as ranchers sold off more cattle. Tom Gilbert, franchising director for Taco Time International, says his company put through a 3.3% menu-price increase in May '88. He expects another of about the same size this year.

Seafood will experience somewhat better sales growth than last year—a 1.2% jump versus only 1% in 1988. Just the same, its market share will hold steady at about 2.5% of all fast-food sales. Introduction of new fish products and a new stability in the rising price of cod will help protect profits in the segment. Long John Silver's will continue its rollout of non-fried menu items, especially its new broiled fish dishes, and other chains will follow suit to capitalize on seafood's favorable health perception. ***—Brian Quinton***

Once confined to pizza, off-premises dining will spread through fast food.

continued on page 58

1989 ANNUAL FORECAST



LODGING

***R&I* predicts steady occupancy rates of approximately 65% as construction is down and room-supply and lodging-demand curves begin to align. Hotel/motel construction in 1989 will be down 5.5% from 1982 levels.**

Real growth: 0.5%

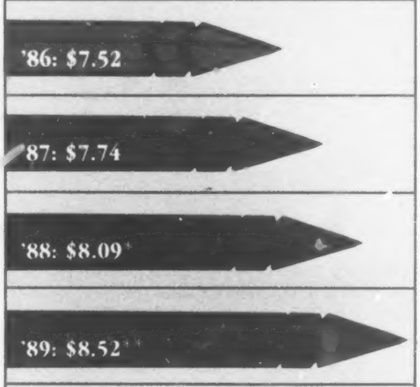
1989 sales: $8.5 billion

1989 beverage alcohol sales: $3.5 billion

Market share: 3.9%

Units: 25,600

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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*preliminary **forecast

■ LODGING

Competition heats up in hotel food and beverage despite cool occupancy rates.

Hoteliers will rely on food and beverage operations to help boost revenues in a hotel market characterized by flat occupancy rates. Hilton International, for example, hopes to achieve a 10% increase in food and beverage business in 1989, according to consultant Fred Rufe. Both hotel guests and local residents will contribute to the expected gain.

Realizing how much business foodservice brings to a hotel, many all-suite hotels are starting up or adding to food and beverage facilities. When the all-suite hotel concept began taking off several years ago, about the only foodservice available at these properties was a free continental breakfast and a complimentary cocktail hour. Now, many are responding to demand for more extensive foodservice capabilities.

Some all-suite properties will cope by leasing out space to restaurants that are known well enough in the community to not only please guests, but do well with the locals. These restaurants may be relatively small, in keeping with the tendency of all-suites to keep public space to a minimum.

All of the Irving, Texas-based Embassy Suite hotels lease out their restaurants, says Doren Chisholm, corporate director of food and beverage. "We find it a very satisfactory arrangement. For example, our Burlingame, Calif., hotel has a Bobby McGee's that does over $5 million in business," she says.

Hoteliers that want to minimize their involvement in foodservice may consider linking up with franchisors, says Rich Conti, chairman of the restaurant consulting group for the accounting firm of Laventhol & Horwath, Chicago. The operator has overall control, but the franchisor takes care of details such as menu development and training personnel. This way, says Conti, "There is a full-time, high-level organization running the foodservice and the hotelier can run the hotel."

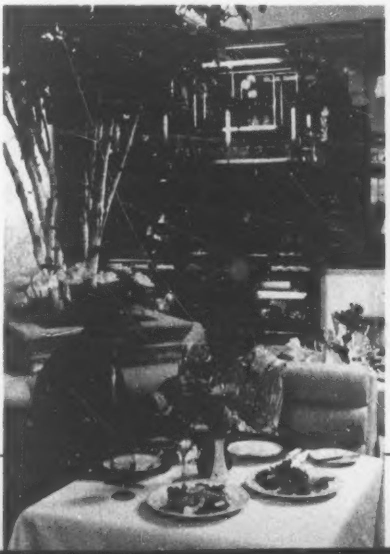
Some hotel operators will tailor their foodservice to suit guests' fast-paced lifestyles. Embassy Suites is test marketing a takeout breakfast program. Already offering guests a complimentary, cooked-to-order breakfast, some Embassy Suites provide packaging for guests who need to be somewhere else fast. Carryout items include eggs, biscuits, yogurt and orange juice. Chisholm anticipates that the program will be introduced nationally in 1989.

Not only are hoteliers feeding guests on the run, but many are looking at ways to better serve those who staying on the property. Single travelers, longtime users of room service, will be lured back to the hotel restaurant. Some restaurants will have areas sectioned off for single guests, away from families. Hoteliers hope that the addition of televisions and work stations will attract singles who want to escape their rooms.

With continued high turnover in labor, good training will be essential. Instilling a service attitude in all hotel staff will increase tips, making the workplace more attractive, says Tom Bloom, president of the California Culinary Academy and chairman of the American Hotel & Motel Association's food and beverage committee.

Foodservice will also target more senior citizens as employees. To attract this population segment, some hotels will offer the employee and spouse one free meal a day in the employee cafeteria. ***—Rob Townsend***

Diners enjoy a quiet repast in the Las Vegas Hilton.



1989 ANNUAL FORECAST

■ **RETAIL**

Self-service will keep costs down, while creative takeout sends revenues up.

Some retailers will abandon foodservice in '89; those who survive will strengthen their commitment to foodservice by making capital and space investments to bring their operations up to date.

John Lovelace, foodservice director of Dayton Hudson Department Store Co., a Minneapolis-based department store chain, says that "the opportunities for department store foodservice are the best they have been in 15 years, but you must be willing to adapt to consumer tastes. Plan for change and the results can be very positive."

One of Dayton's more successful concepts is The Sky Room, in which upscale sandwiches are served on real china in a relaxing atmosphere. Specialties include grilled swordfish sandwiches, lobster on a croissant and the "fresh carved" sandwich of the day. Dayton Hudson's menus in its sit-down restaurants give calorie counts for selected items.

In Chicago, Marshall Field's five-year renovation of its State Street store includes foodservice. Hinky Dink Kenna's is a theme restaurant targeted at the downtown business professional; a food court offers Chinese, Italian, Mexican and German-American foods and uses china instead of disposables; a full-line deli sells cheese, pâtés and salads; and a Viennese cafe offers espresso, cappuccino, gelato and pastries.

According to Rod Fensom, manager of creative marketing, building as much destination business as possible will greatly enhance the success of a retail foodservice operation. He believes that in the future the business will become "a little more focused, more intense. Those who remain in retail foodservice will do a better job. There will be new concepts and operations aimed at satisfying the customer."

Jerry Rozak, vice president of foodservice, believes being timely and convenient are the secrets to success in retail foodservice: "Customers are a lot more aware of price and service levels." He also believes that takeout food will offer many opportunities to retailers in the coming year.

"Although retailing is soft, foodservice for McCrory in 1988 was very good," says Robert Laird, vice president of foodservice, McCrory Department Stores, York, Pa. The renovation of 45-plus units improved his company's foodservice business. McCrory's plans for '89 include becoming a franchisee of a nationally recognized chain.

Laird also sees excellent potential in self-service. One of McCrory's self-service operations, J.J.'s, features a Mexican Fiesta Bar, soup and expanded salad bar, fresh-dough pizza and hot dogs with a free fixings bar (chili, cheese and an assortment of other toppings). A food court scheduled to open in a Los Angeles McCrory's in the first quarter of 1989 will feature a number of self-service operations: Mexican, pizza, chicken, burgers and ice cream. McCrory's may also set up convenient food centers with microwaveable, high-quality items that customers can prepare themselves.

Laird predicts modest but measurable growth for retail in 1989: "As long as the demand is there, you will have retailers who feel that food is extremely important."

—Kathleen Marshall

McCrory's J.J.'s features self-service Mexican and salad bars.

continued on page 66

RETAIL

Retailers will be offering more takeaway and self-service operations in an effort to attract consumers with accelerated life styles. Upscale foods and decor will attract a more affluent clientele.

Real growth: 0.2%

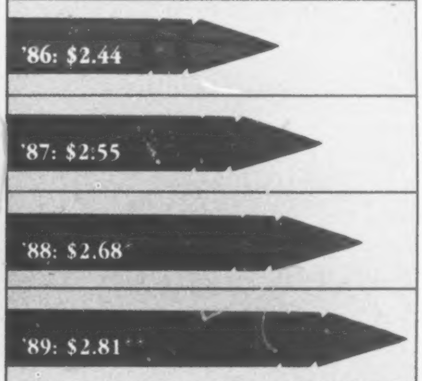
1989 sales: $2.8 billion

1989 beverage alcohol sales: $3 million

Market share: 1.3%

Units: 29,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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1989 ANNUAL FORECAST

SUPERMARKETS

Foodservice in supermarkets will be a major growth area in 1989. Ripple effects will include more fresh offerings by food manufacturers, more sophisticated labor and an increase in marketing store identity through signature recipes and packaging.

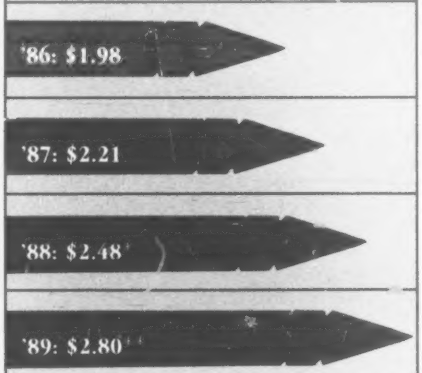
Real growth: 8.2%

1989 sales: $2.8 billion

Market share: 1.3%

Units: 15,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ **SUPERMARKETS**

Consumers demand variety in prepared foods; limitless possibilities await the creative.

Food courts in supermarkets are one example of the growth in foodservice.

"To say that there is a lot of excitement about the prepared-food business in the supermarket industry is an understatement," says Howard Solganik, president of Solganik and Associates consulting firm. About 95% of supermarkets with service delis average well over $2,000 a week in prepared-food sales. An average deli can do a very healthy business in cold cuts, chicken and potato salad alone, says Solganik. "It's staggering to think what's going to happen as they start putting their resources toward prepared foods."

In 1989 supermarkets will continue to add foodservice to their traditional role of food distribution with more frequency and in a variety of formats. When the new Roche Bros. superstore opened in Rochester, N.Y., last July, a food court was part of the plan. It has a separate entrance, three cash registers and a cafe area with tables for dining.

The first counter features stations for the carvery, pizzeria, desserts, rotisserie and the "Piece Meal" section, which has entrees, casseroles, vegetables and soups for a quick gourmet meal to go. Further down the line is the self-service cheese case, service deli, bakery area and prepared desserts for take-home. After seven months, the court accounts for approximately 12% of total store sales, according to David Murphy, food court manager.

"In the near future, supermarket foodservice may account for up to 30% of total store sales," says Solganik, "The concept is in its infancy." That infancy could indeed be short-lived; of the 18,800 supermarkets with some kind of service deli, 85% offer prepared foods such as pasta salads, ribs, lasagna, chicken, soups and casseroles.

Already, some supermarkets are taking prepared food a step further by offering in-house restaurants. Larry's Market Cafe & Deli units in Seattle are renowned for their Northwest cuisine and do a brisk local trade at lunch and dinner. Lund's in Minneapolis cross-merchandises by offering the most popular service deli items on the menu of its new bistro cafe.

Despite these examples, most restaurants in supermarkets have not fared well. That may be changing, but many operators think that table service would tax the already tough labor situation, that an empty table is occupying space that could be used to more profitable ends and that customers still have expectations about dining-out that supermarkets cannot fill.

Regardless of the extent to which supermarkets enter the foodservice arena—from simple service deli/bakery to food court to restaurant—customer demand will be strong enough to support the increased labor costs such endeavors entail, according to industry spokespersons. The high value placed by customers on supermarket foodservice will allow for increases in price, especially as that foodservice becomes more sophisticated.

—Beth Gotschall

As foods offered become more sophisticated, so does decor and packaging.

on page 70

1989 ANNUAL FORECAST

RECREATION

Box-office receipts and spectator-sport revenues are on the rise, following a slight decline. Motion-picture admissions also are expected to climb. Some theme parks expect double-digit increases in food and beverage sales.

Real growth: 1.8%

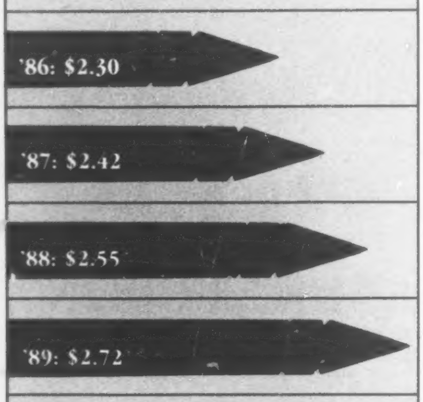
1989 sales: $2.7 billion

1989 beverage alcohol sales: $386 million

Market share: 1.3%

Units: 25,500

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ RECREATION

Attendance will be up, but severe labor shortfall will plague leisure-time industry.

Last year's stock market crash and the tax-reform bill have had a negative effect on attendance at sports stadiums, movie houses and theme parks. But the recreation market, with its escapist image and history of resiliency, is expected to fare better than other industry segments.

One explanation is the anemic state of the U.S. dollar overseas, which has encouraged more Americans to plan vacations closer to home. The less costly option of domestic travel has given a boost to theme and national park attendance. At the local level, more frequent outings to sporting events and movie houses will be good news for stadium and theater owners.

Theme parks also are beefing up yearly attendance by opening new attractions during the off season. Six Flags Magic Mountain in Valencia, Calif., debuted its $1 million stomach cruncher "Condor" ride just before Thanksgiving. Universal Studios unveiled the $13 million "Earthquake: The Big One" two weeks after. And Disneyland's new Splash Mountain flume ride will start making waves in early 1989. Each attraction could boost the respective park's head count by 10%-25%.

Like the rest of the industry, the recreation segment worries about the prospect of a minimum-wage rise. Exceptions are companies such as Walt Disney Co., which already pay well above the proposed increases. However, minimum wage takes a back seat to an even more pressing problem, one to which even Disney is not immune; that is, the labor shortage at both the hourly and full-time management levels. Despite offers of impressive wage and benefit incentives, particularly by the more prestigious theme parks, it has become increasingly difficult to recruit the numbers of people needed to serve the recreation segment.

Walt Disney World has initiated several offensives to combat the labor problem. The company has launched a series of internship programs, particularly in the culinary area, and recently completed a large apartment complex to house candidates. The provision for housing has been a persuasive factor in convincing candidates to move to Florida. Apprentices in the two-year culinary apprenticeship program receive cross-training in various Disney facilities; the program is accredited by the National Culinary Federation.

The response, while still not enough to support the rapidly expanding Walt Disney World-EPCOT Center resort complex, has been overwhelming, according to Frank Heavlin, food and beverage director for the resort division. To help fill the available job slots, the company is advertising nationwide for hourly employees and putting together a relocation package to attract potential candidates.

In addition, Disney is exploring alternatives for assisting employees with children. Already Disney World has contracted with KinderCare for child care, an action that should result in happier employees and less labor turnover. *—Barbara Magan Dawson*

The weak dollar is sending more Americans to theme parks and stadiums here at home.

continued on page 74

1989 ANNUAL FORECAST

C-STORES

According to the NACS Industry Report, there will be 110,000 c-store locations by the year 2000 and foodservice products will make up 20% of their in-store merchandise. C-stores will continue to make their mark on the industry.

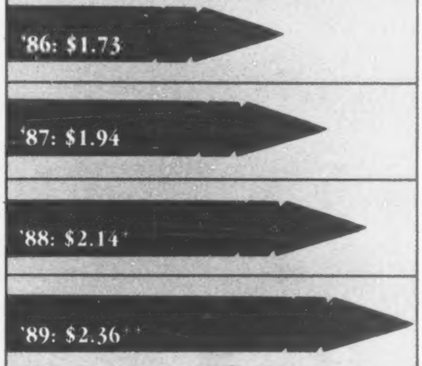
Real growth: 5.4%

1989 sales: $2.36 billion

Market share: 1.1%

Units: 53,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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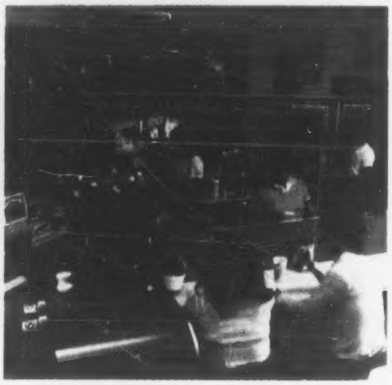
■ **C-STORES**

Deals with restaurant chains and branded products will carry this segment forward.



C-stores, including this Circle K, are competing with fast-food operations.

As part of a financial restructuring, Southland Corp. sold about 2,000 7-Eleven stores last year, giving the c-store chains that bought the units a chance to play the foodservice game in prime locations. The lowering of Southland's profile also will make a key competitor, Circle K, far more visible in the market.

C-stores that make a serious commitment to foodservice will invest in additional equipment, space, training, advertising and extended hours next year. Their menu offerings are likely to include freshly made salads; refrigerated, ready-to-eat entrees; fried chicken; ethnic and specialty foods; and items baked in the store.

Pasta and pizza are other new frontiers for c-stores to conquer. Already some chains make these in their commissary, to be reheated at the store level. Increasingly, c-stores will become more ambitious, installing pizza ovens so that the pies can be prepared and cooked on site. Wawa Inc. will be testing pasta and pizza in the future; in 10%-15% of Circle K units, seating is available so that customers can eat their pizza on the spot. Another option is to link up with an established pizza chain, as Circle K is doing in tests with Pizza Inn.

The Circle K experiment is one of many collaborative arrangements between c-store and restaurant chains. In the past, some of these have fallen through because the two companies butted heads on policies and procedures; one pair reportedly split up because they disagreed about which floor cleaning solution could be used. Some observers think the current crop of c-store/restaurant partnerships has a better chance of survival because they are more carefully thought out.

Rather than trying to combine all aspects of two fully formed companies, they are tailoring the foodservice to fit the c-store's customers and needs. Amoco Oil Corp.'s c-stores, for example, are serving barbecue, breakfast sandwiches and self-serve ice cream provided by International Dairy Queen, while the burgers are supplied by Burger King.

Branded foodservice products are another c-store trend. Stocking the pastry case with products from Dunkin' Donuts or identifying the hot dog by brand are ways to build consumer confidence.

C-stores might achieve their foodservice ends more effectively if they devoted more time and money to researching their market, believes Teri Richman, vice president of government relations for the National Association of Convenience Stores: "The convenience store industry's strength is also its weakness. C-stores have the ability to change quickly, but they often do so before researching consumer demands."

A few highlights:

- Because 76% of c-stores are open 24 hours a day, more employees are calling for increased staffing at night to protect their safety.
- Eighty percent offer some sort of prepared food.
- Pizza, baked goods and fried chicken are three top-selling foods in c-stores.
- More foodservice items means less space for retail items; as still smaller stores are built, chains will have to find the right balance.
- Management must creatively merchandise snack items as companions to a rented video movie.

continued on page 79

1989 ANNUAL FORECAST

■ CATERING

The business is there, but caterers must cope with an increase in competition.

Demand for catering services is up, on both the business-entertaining and social fronts, but a more price-conscious customer and increased competition may cut into caterers' profits.

John Byrne, project director of Ridgewell's in Washington, D.C., believes the corporate market will be especially strong. "Although we do some very visible functions, such as events at the White House and State Department," says Byrne, "about 80% of our business is corporate and we're finding that the percentage is growing. We've set up a separate group that does nothing but corporate catering."

"The business is there," confirms Michael Roman, head of the National Institute for Off Premise Catering in Chicago. He explains that corporations are now more likely to organize events, "in pursuit of business," that are held on premises because they can deduct 100% of the cost, compared to 80% for functions held elsewhere (also, tax laws exclude "lavish and extravagant expenditures.")

Even for the on-premises events, companies are watching expenses carefully. "The market crash has made people more careful about spending—now parties really have a business purpose other than entertainment," says Carlyn Berghoff, Carlyn Berghoff Catering, Chicago.

Roman also notes that marriage is back in fashion, leading to more lavish weddings and other social events beneficial to caterers. Dolly Strenko, a hospital foodservice administrator who operates a catering business in partnership with a Cleveland church, says that the facility already is booked for weddings every Saturday in 1989.

Despite this bright outlook in terms of customer counts, Roman says many caterers will not have a good year. "You've got to remember that catering is a bidding business and the temptation is to get the job at all costs. Too many caterers take the wrong jobs at the wrong price," Roman says. He also notes a tendency among caterers to become so involved with the ordering, preparation and serving of food that they pay scant attention to paperwork and perhaps forget to make tax deposits. "That money can add up quickly," comments Roman.

Stiff competition also adds to the riskiness of operating a catering business. On the one hand, licensed caterers are threatened by thousands of unlicensed caterers who may undercut their prices. On the other, they are competing with well-established contract and restaurant companies.

ARA Services Inc., for example, recently purchased Greenwood Catering in Denver. Large chains, too, are beginning to join the ranks of restaurants that do catering on the side. Notably, the McDonald's with the highest gross income has been catering for years.

Hospitals, colleges and universities, and employee-feeding operations also see catering as an alternate source of revenue. And they may market more aggressively than the catering companies. If you were driving down the streets of Cleveland during the month of December and turned on the radio, you might well have heard a disc jockey calling out the winner of free food and beverage for an office party for up to 100 people. The catering business for this event, as it turns out, is owned and operated by Southwest General Hospital.

—Susie Stephenson and Toni Lydecker

The "feel" of a catered event is as important as the food served.

New England

continued on page 82

WHAT'S AHEAD IN '89

■ An increased emphasis on presentation and creating the right ambiance. One caterer comments that guests often hold their taste preferences secondary to a dish's stylish appeal and proper presentation, and says, "The 'feel' is often more important than the food. That's where we differentiate ourselves."

■ Takeout as a sideline. Families earning two incomes like to reward themselves with sliced tenderloin and the like, and caterers will compete for this business.

■ More fish and pork entrees. Customers will be more sophisticated, more willing to try something new.

■ A bigger advertising push. In addition to media spots, it will include fliers on doorsteps, direct mail and personal calls on business executives.

■ A labor shortage. It will be more intense for such jobs as dishwasher.

1989 ANNUAL FORECAST

EMPLOYEE FEEDING

Reductions in subsidies and the growing labor shortage are taxing the creative resources of foodservice contractors and independents. The pressure is on to break even or to operate facilities at a small profit.

Real growth: 1%

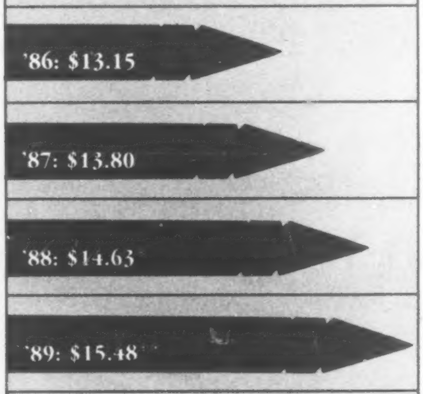
1989 sales: $15.5 billion

1989 beverage alcohol sales: $48 million

Market share: 7.2%

Units: 16,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ **EMPLOYEE FEEDING**

Reduced subsidies and labor shortages force employee foodservice to test creative juices.

Companies that once regarded foodservice as a benefit now view it as a convenient, on-premises support service, according to Phillip Cooke, executive director of the Society for Foodservice Management. Consequently, the idea of subsidizing foodservice is changing radically, as all eyes turn to the bottom line. Most corporations are willing to cover rent, occupancy and maintenance costs of a foodservice facility. But the pressure is on employee foodservice to break even or show a small profit on an operational basis.

Employee foodservice has become a financial scapegoat as a result of corporate restructuring taking place coast to coast. The mergers, takeovers, and leveraged buy outs of the past few years have forced cash-poor companies to reevaluate all benefit programs, of which foodservice is a major component.

Neil Reyer, vice president of Restaurant and Travel Management at Chemical Bank in New York, sees the change in attitude as positive. "Getting out of the subsidy business will free up employee foodservice to compete with outside foodservice operations," he says. "Pricing is not the issue. Chances are, I can put out a greater variety of product with better quality."

Employee foodservice that can deliver high-quality items, along with the appeal of convenience, should find that customers are willing to pay a fair price. Menu prices in business and industry are edging closer to street prices, as food and labor costs continue to exact their toll on the bottom line.

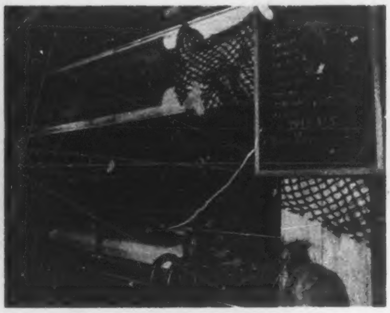
As in other segments, labor supply will be a serious problem for employee foodservice. Lease Plimpton, liaison for the Massachusetts Institute of Technology Lincoln Laboratory, a defense research facility on Hanscom Air Force Base, in Lexington, Mass., says, "Labor in New England is down to about 3%, of which 2% is unemployable. I would like to see a serious commitment to encouraging and training the developmentally handicapped.

The labor problem is not nearly so acute at companies such as Motorola, which runs its own foodservice operation. Motorola can offer a better benefits package than other firms and recently restructured its foodservice salary levels to become a little more competitive with the rest of the market.

However, says Rudy Zwicklbauer, regional manager of food and vending services, "We don't want to go overboard because the company also is looking to us to reduce subsidy levels. The fact that our workers are corporate employees gives us a little more hiring leverage because we can offer benefits. But one of the drawbacks we run into is our reputation. Our public image is that of an electronics firm. People just don't think of us as a foodservice employment opportunity. We definitely need to do some recruiting to make people aware of that."

The labor shortage will spark innovations in products, equipment and systems. Foodservice planning will undergo dramatic alterations. The trend will be toward less square footage and scaled-down facilities engineered to run as smoothly and efficiently as possible. The future calls for more flexible layout and design so that dining rooms can be used for meetings, mini conferences and private functions. Equip-

Catering and delivery generate revenue for employee foodservice.



The Chemical Bank's food operations compete with nearby restaurants.

ment will be smaller, more mobile and more versatile.

Because of the labor required, operations will place heavier reliance on products that require minimal preparation time. Convenience products, quick chill, *sous vide* all are getting a second audition. Operators will be willing to pay more for products, when those costs are offset by labor savings.

Creative pricing also can help. When Canteen introduced a "by-the-ounce" concept 10 years ago, the industry shrugged. Today, Chemical Bank, Motorola and others are promoting self-service hot food, salad, sandwich and vegetable bars. Charging by the ounce lowers both food and labor costs, says Reyer. Reyer established a 20 cents-per-ounce set price for all food items, from entrees to fruits.

He also introduced a Natural Balance Selection promotion that features high fiber, health-oriented foods in 10 different categories, including breakfast, soups, fruits, salads, snacks and entrees. A stay-fit kit provides nutritional, diet and excercise information.

As business and industry grows more sophisticated and competitive, the role of the liaison becomes more pivotal. "The job is becoming much more professionalized," says Plimpton. "The Society for Foodservice Management has done a great deal to enhance the image of the liaison. Companies are far more selective in choosing a contractor. The liaison is becoming a more powerful and influential voice in the decision-making process.

Plimpton, who serves food to 3,000 physicists and engineers and their support staff, wants to redesign her kitchen for nutritional cooking. "Diet is so important to good health and controlling disease," she says, "and employees in sedentary office jobs need extra help in this area."

Anything and everything that creates incremental income is being tested in employee feeding. Creative foodservice liaisons are experimenting with video rentals, jewelry shops, card shops and even dry-cleaning outlets installed in or next to cafeterias.

Takeout is also in test, but product variety is limited by the operation's hours. Most cafeterias close by 3 p.m. to cut down on labor and overhead. This restricts take-home goods to those that do not require immediate refrigeration. A few operations are staying open later, however, and offering full-scale dinners for employees to take home.

Hours also make catering difficult to pull off as a profit center because banks and office buildings generally close down after 6 p.m. and on weekends. Keeping them open during those hours is a costly enterprise. Air-conditioning and heating systems have to be turned on. Manpower is needed for building maintenance and security, as well as for the kitchen. Nonetheless, Reyer thinks that catering could be potentially lucrative for many operations. "It depends on the flexibility of the company and its willingness to risk the financial commitment," he says. "We do contract catering at Chemical Bank in the evenings, but it is expensive. Still, I think we'll see a lot of experimentation in that area."

Delivery, another option, is practical in a factory complex where the cafeteria may be a long walk from the assembly line. But it also makes sense in an office environment where people may be in the middle of a meeting and do not want to lose their momentum. "We now provide working lunches that are delivered to conference rooms so people don't have to interrupt their meetings," says Zwicklbauer.

In other cases, foodservice directors invite executives to handle their business in the cafeteria during off hours. As one operator observes, "People are getting more creative when it comes to converting the space for use as a meeting room, a cooking school or class, or even as a seating area for seminars. Some are even setting up business meetings with food so that the cafeteria becomes, in effect, a mini conference center." ***—Barbara Magan Dawson***

WHAT'S AHEAD FOR '89

■ Downsizing of facilities.

■ More flexible designs that allow kitchens and dining areas to be utilized for other profitable ventures during off hours.

■ Greater emphasis on healthful foods and nutrition education for employees.

■ A bigger push toward take-home items; operations will test the appeal of full meals.

■ Increased interest in by-the-ounce self-service, *sous vide* and quick-chill methods to help compensate for labor shortages.

■ Heavy emphasis on revenue enhancers such as on-premises videotape rental stores and dry-cleaning operations, in addition to take-home and catering activities.

1989 ANNUAL FORECAST

SCHOOLS

The availability of commodities will probably have the greatest impact of all economic factors facing school foodservice programs in 1989. But finding labor is running a close second.

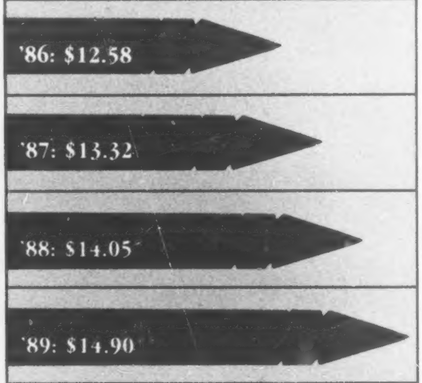
Real growth: 1.2%

1989 sales: $14.9 billion

Market share: 6.9%

Units: 89,000

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ **SCHOOLS**

Commodity availability and new administration are causes for concern.

"Boomettes"—children of baby boomers, who are just now entering school systems in significant numbers—should create a continued, yet small rise in school foodservice growth in 1989.

But these increases will not be felt nationwide. Rather, the increases will be in suburbs surrounding high-tech or other cities attractive to yuppies.

Regardless of whether a district is flush with students or not, all school foodservice directors are looking for ways to expand their customer base.

"We must identify what will attract those students who come to school but aren't eating with us," says Jane Boehrer, foodservice director for the San Diego public schools. "For example, how do we get the student who goes off campus to smoke to eat with us instead?" she questions.

Balancing budgets, never an easy task in a program funded in large measure by the government, will become even more difficult in the near future. The availability of commodities is no longer a sure thing—and commodities have an enormous impact on the bottom line of school foodservice budgets. For instance, the San Diego schools use $2 million to $3 million in market value of commodities in their program each year.

Many school foodservice directors are also waging internal wars for students' disposable income. As dollars become tighter for all school programs, teachers, students and other groups such as bands are starting to sell food to raise funds for programs and trips. All these activities cut into available foodservice dollars.

These are some of the challenges school foodservice directors expect to face next year.

■ The labor pool will be so tight that employees who recruit their friends or relatives will receive incentives.

■ Operations will be simplified and entry-level employees will receive more training.

■ Increased automation will help cut down on labor costs. Foodservice directors also expect to package more goods and to make greater use of disposables.

■ Employees will receive better raises, and benefit packages may be extended to part-time employees. "Once employees are trained, they tend to want to work more hours," explains one director. "We can't always offer them full-time jobs, so we have to provide them with some other reason to stay."

■ Directors expect new management-information systems to enable departmental personnel to be more responsive to student trends and desires in shorter periods of time.

■ Many foodservice directors will not be surprised if they face increased competition from fast-food restaurants.

■ As the public demands better education for their children, school administrators are gaining the freedom to make a variety of decisions about their particular schools. Foodservice directors wonder about the impact of the push toward greater autonomy within individual schools on their programs.

■ Increased communication with administrators and the community will also be emphasized.

—Susie Stephenson

Schools will compete with fast-food vendors for this customer's business.

continued on page 94

1989 ANNUAL FORECAST

HOSPITALS

The stranglehold on hospital foodservice is still leaving bruises. Although census levels have bottomed out, rises in revenue will come from non-patient meals and services—which are increasing in diversity.

Real growth: 0.2%

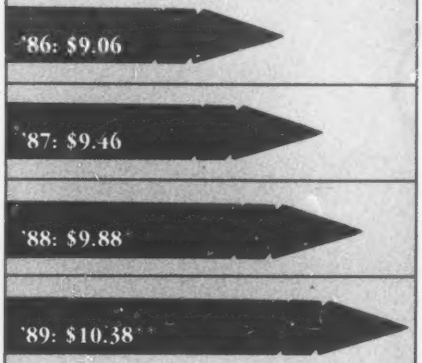
1989 sales: $10.4 billion

1989 beverage alcohol sales: $22 million

Market share: 4.8%

Units: 6,985

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ **HOSPITALS**

Health-care foodservice still feeling DRG impact; directors seek new revenue sources.

"A bunch of hospital foodservice people feel if they don't part their hair just right, they might get fired." That's one health-care foodservice director's analysis of what is in the offing in the year ahead. Says another, "The foodservice directors who encourage entrepreneurial projects—they'll be the success stories."

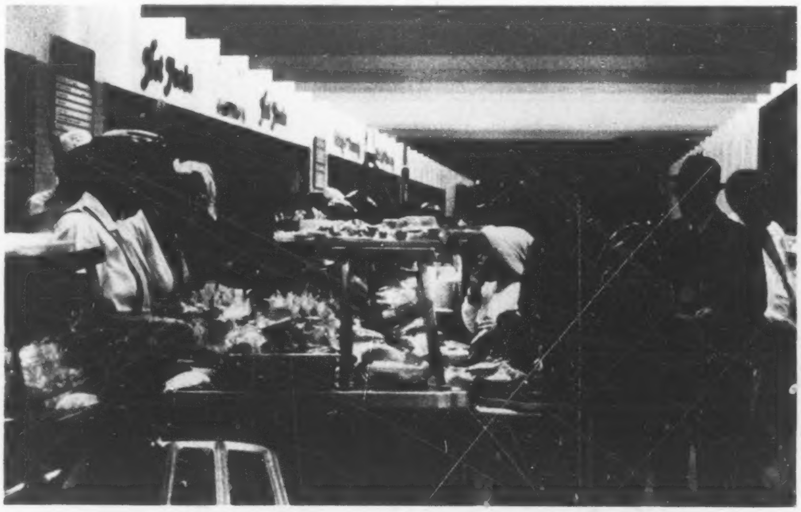
The mood in the health-care segment, obviously, continues to be tense. The impact of DRGs is still being felt. (The term refers to diagnosis-related groups, where the price paid for a hospital service within group categories is fixed in advance, regardless of the procedures performed and length of stay.) And everyone is curious as to what new health-care legislation will be enacted once Bush becomes president. Although the drop in patient census seems to have leveled off, hospitals are still closing their doors. To prevent insolvency in still-viable operations, foodservice directors and dietitians remain under a great deal of pressure to increase department revenue.

To eke out every available dollar (and not just foodservice dollars) that employees, patients and even members of local communities are willing to spend, directors and dietitians are implementing a broad array of foodservice programs and marketing them intensely. They are luring neighbors into their cafeterias by offering discounts on meals during down times, starting weight-loss programs, offering to wrap any menu items for a visitor to take out, opening deli operations similar to ones located in neighborhood delicatessens. They are operating their own vending machines, offering valet service for dining-room customers, opening convenience stores and renting or selling videos. They are selling frozen meals, both standard and modified, for employees and visitors to take home.

What is critical to the success of foodservice departments in these trying times are two factors: providing services and knowing exactly what customers want.

Ruby Puckett, foodservice director at Shands Teaching Hospital and Clinic in Gainesville, Fla., is willing to endure the hassles of a massive renovation because it will almost double the size of the foodservice operation, enabling her to offer more services to customers. When completed, the new op-

Attractive decors bring in dining-room customers from the community.



eration will be 50,000 square feet. There will be a private dining area plus a food-court area with fast-food operations such as pizza, hamburgers, a bakery and an ice cream shop.

But something else is going on here, as well: Newly formed marketing departments also are trying to differentiate their hospitals from the all the rest. Today, ads abound on television, in newspaper supplements, on the billboards lining the sides of major highways and in the bowels of subway stations. They promote convenience, particular services (such as substance-abuse programs) and, occasionally, foodservice.

If all this were not enough to turn the hairs on hospital foodservice directors' heads gray, they are being asked to provide these myriad services with less labor. And there's the real crunch.

To combat that situation, many foodservice directors and dietitians expect more sharing of services. Indiana's Bloomington Hospital has been part of a purchasing group for years. Many other hospitals are following suit. But sharing has gone much further than buying frozen green beans and paper napkins in bulk.

A number of hospitals in the Midwest, including Bloomington, have bought expensive pieces of specialized medical equipment and big vans in which to haul them around to different locations. This type of arrangement allows patients to stay in Bloomington rather than going off-site or to another city to have procedures requiring this equipment—which, obviously, helps a hospital's patient census.

A number of independent hospital foodservice directors and dietitians also are concerned about the inroads being made by contract companies. Says one director, "Contract companies have a wealth of knowledge and experience. They've tried a lot of ideas, have worked out the bugs and are ready to implement these programs. That can be very attractive to an administrator."

Other changes expected in 1989 include:

- ■ More styling of dining areas to resemble restaurants, thereby increasing their allure.
- ■ Meal discounts to employees of nearby corporations and institutions.
- ■ Much more emphasis on patient relations—hotlines for complaints, greeters at hospital entrances, streamlined admittance procedures.
- ■ Increases in the numbers of satellite health-care operations in areas such as shopping centers, so that services are more accessible to a greater number of potential customers.

Yet despite all the changes that have occurred in health care, at least one foodservice director is quick to remember the importance of care. "If you don't have the human touch, all the technology won't matter," says Puckett. "It's not always going to be technology that saves your life; it's going to be the caring of the nurses' aide or someone else along the way that gave you that little extra desire to live."

— *S.S.*

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1989 ANNUAL FORECAST

COLLEGES & UNIVERSITIES

In 1989, college and university foodservice income will rise little. Although the customers are there—and willing to spend—foodservice is having income sources cut and is being asked to contribute money to other campus departments.

Real growth: 0.4%

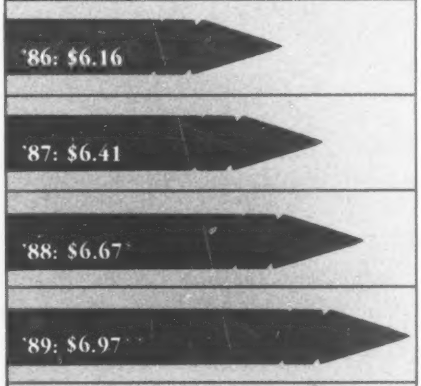
1989 sales: $7 billion

1989 beverage alcohol sales: $38 million

Market share: 3.2%

Units: 3,350

Combined food and non-alcoholic beverage sales in billions, 1986-89:



1988 *Restaurants & Institutions*, a Cahners publication.
*preliminary **forecast

■ **COLLEGES & UNIVERSITIES**

Rising costs of college education continue to put pressure on foodservice departments.

For the college market, the crunch is on. Although the steep decline in student enrollments projected for the late 1980s and early 1990s failed to materialize, college and universities face many problems. The cost of a degree is escalating at a rate much higher than inflation. In an attempt to limit the tuition rise, foodservice departments—many of which used to operate independently of other university departments—are being asked to contribute to their schools' general funds.

Many foodservice departments also must deal with the consequences of years of deferred maintenance on buildings that, in many instances, are as much as 60 years old. Couple this situation with the rise in construction costs and the high cost of money and it becomes clear why college and university foodservice departments expect 1989 to be a "challenge."

Often, it seems, customers have suffered most from the consequences of these financial pressures. "To keep costs down, we've become so mechanized and automatic and efficient in serving people fast that we've lost the friendly smile that should go along," comments Larry Barrett, director of housing and foodservice for the University of California-San Diego. "We want our employees to serve customers fast and get them out. They've learned the lesson too well."

As a result, many college and university foodservice departments are increasing customer-relations training.

What other subjects will cause concern with the leaders of this market segment this year?

■ A changing customer base makes foodservice directors stretch their imaginations. The average age of students is now 24 years. Many more students are foreign and their food expectations are vastly different than those of the American-bred 17- and 18-year-olds of years past. Not only must a greater variety of foods be offered, according to Barrett, "but you don't necessary act, talk and do to people of other cultures as you would to those of your own."

■ College and university foodservice directors and dietitians are nervous about the outcome of lawsuits challenging the legality of unrelated business income. At Cornell University in Ithaca, N.Y., the law department has told the foodservice department to stop all off-campus catering until its legality has been established. "We just don't have as much control over our abilities to generate additional income," says Foodservice Director Peg Lacey.

■ As with almost every foodservice segment, labor problems are also affecting the college market. Although most full-time positions remain filled (colleges usually have excellent benefit packages), student employees are scarce this year. Len Hodgson at the University of Connecticut in Storrs has seen his student labor hours drop from about 60,000 to about 40,000.

■ Management will also pay more attention to the needs of employees. Lacey conducted a survey of Cornell employees and discovered that they wanted a "fun" banquet rather than one where they were given certificates of merit. She orchestrated such a dinner and said it improved morale dramatically. Lacey is also studying the feasibility of subsidizing child-care services for foodservice employees.

■ There will be more emphasis on cleanliness and plate presentation; perceived value is very important. "Of key importance is environment and service," comments Barrett. "That's where customer satisfaction all starts."

—S.S.

Ambiance is critical on campuses.

1989 ANNUAL FORECAST

MILITARY

The military is concentrating on creative presentations of nutritious menu items. Further implementation of computer systems is creating greater efficiencies. Clubs are monitoring financial performance closely since they are losing appropriated funds.

Real growth: 0.1%

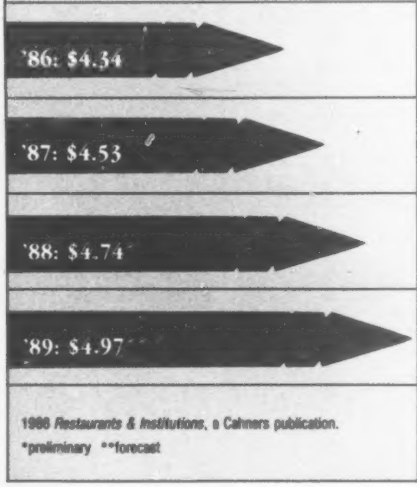
1989 sales: $5 billion

1989 beverage alcohol sales: $401 million

Market share: 2.3%

Units: 3,320

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ **MILITARY**

Customer satisfaction, automation and nutrition continue to be top priorities.

Armed forces foodservice operations plan to run lean and mean in 1989. Club operations have lost appropriated funds support and will be forced to manage operations better. Troop support services will continue to concentrate on lowering fat and cholesterol content of menu items, as well as on deployment of computer systems to manage inventory and analyze recipes for nutrient data.

The most important issue facing the U.S. Air Force foodservice system during peacetime is its effort to increase emphasis on customer service, according to Hank Dylla at the Air Force Engineering & Services Center headquarters. "We don't want to treat the troops like a captive audience," says Dylla. "We want to make meal periods more pleasant because many of the enlisted men at the lower ranks don't have the money to buy a meal at a fancy restaurant."

The Air Force continues to promote the use of fresh fruit and salad bars, and wants soldiers to avoid salt, fats and sugar. While healthful alternatives are being accepted, Dylla has noticed a countertrend—increased use of carryout facilities specializing in fast food.

The U.S. Air Force also will continue to implement its automated management-information system by bringing another 30 operations on line.

According to the U.S. Navy Foodservice Systems office, the emphasis in 1989 will be on menu planning. Dietitian Carol Mergen says creative menu planning seminars will focus on creating visually interesting presentations. "Even on an aircraft carrier, if you arrange hot breads, yogurts, cereal, fruits and juices properly, it can look more appealing," says Mergen.

The U.S. Army Troop Support Agency will concentrate on the deployment of its $55 million Army Food Management Information System, which will link all food-management systems to a central command.

The Army will continue to phase out menu items high in calories and cholesterol. The 1989 master menu will promote a dietary program emphasizing food that is rich in complex carbohydrates and fiber. The serving of eggs to order will be decreased to six days a week to help soldiers monitor their fat and cholesterol intake. As an alternative to bacon and sausage, lower-fat protein sources, such as steak biscuits, have been programmed into the master breakfast menu once a week.

Also, a design package for a new family of dining facilities is being developed. The new look will be geared toward what soldiers would see in a civilian cafeteria.

The U.S. Marine Corps will concentrate on modernizing mess halls in 1989 as well. Also, the commandant has mandated more realistic field training.

The Marines are in the preliminary stages of contracting out mess duty. Henderson Hall in Virginia is fully contracted and is working the kinks out of the relationship.

At the various military club systems, operating standards are being developed to increase efficiencies and improve the bottom line.

The Army clubs system is concentrating on service training and consolidating food and beverage purchases to increase quality and cut prices.

The Marine Corps, along with other branches of the service, is developing strategies to compete with the private sector. Surveys are being used to determine current customer attitudes and project future needs of patrons. Programs also are being developed to encourage family business and responsible use of alcohol. —*Jeff Weinstein*

Military foodservice operations continue to promote nutrition.

NURSING HOMES & LIFE CARE

Large national nursing-home chains will back off from expansion. More regional groupings of three to four nursing homes will emerge. Care alternatives such as day care and Meals on Wheels will grow.

Real growth: 2.1%

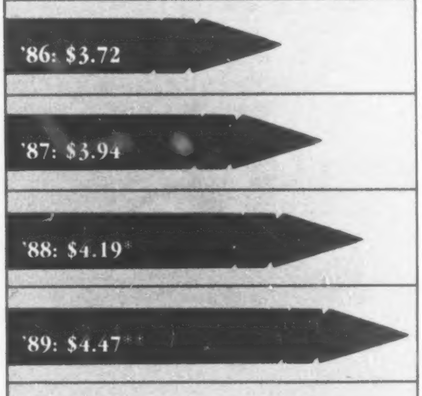
1989 sales: $4.5 billion

1989 beverage alcohol sales: $23 million

Market share: 2.1%

Units: 25,650

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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■ NURSING HOMES & LIFE CARE

Financial woes give rise to a variety of long-term care alternatives for the elderly.

"There is a lot being done for the poor elderly, there is a lot being done for the rich elderly. It's the forgotten people in between we're trying to serve," says Cameron Fraser, CEO of Vintage American Financial Corp. in Newport Beach, Calif. The company, which was established in 1987, is developing personal-care centers, residential facilities that cater to the middle-class elderly who do not need continuous care, but are not totally self-sufficient, either.

Why the need for alternatives? According to the American Healthcare Association in Washington, D.C., only 25% of the elderly population over the age of 65 requires the continuous care offered by nursing homes, and while nursing-home occupancy rates remain in the high 90% range, the financial burdens and labor shortages they face limit their ability to answer the needs of the diverse and growing elderly population.

The shortcomings of Medicare and Medicaid are adding to the problem. The requirements for Medicare reimbursement are difficult to meet and it can take months to collect reimbursement even when requirements are met. A facility must have a "skilled" nursing staff to qualify, and many nursing homes are intermediate-care facilities that do not qualify at all. Only 3% to 4% of the elderly population benefits from Medicare, while 60% is on Medicaid, according to Linda Keegan, director of public relations at the AHA.

"Medicaid reimbursements are simply not covering the cost of operating, and facilities have to borrow on their private pay funds, ideally those funds counted as profit, to make ends meet," Keegan explains. The shortage of skilled labor goes hand in hand with the lack of funds; nursing homes that need to raise salaries to entice or retain employees (and the pool of skilled labor is shrinking) lack the funds to do so. "Medicaid is a prime contributor to our labor problem," says Keegan, "and it is not keeping up with costs."

Of the four bills that do deal with long-term care, and are due for reintroduction to the Congress in 1989, the AHA considers the Public-Private Sector Partnership, sponsored by Sen. George Mitchell (D-Maine), to be the most innovative. It strongly encourages the private insurance sector to offer competitive rates on long-term health-care insurance. However, industry spokespersons agree that any legislation must attempt to change the structure of Medicare requirements so that it becomes the viable financial resource it was meant to be.

Other steps need to be taken as well. "To begin with, what we need is an executive order mandating that no one may introduce nursing-care legislation without a minimum of five years experience in the field," says Jaak Juhkentaal, director of Martha and Mary Nursing Home in Poulsbo, Wash. "We have no distinct leader for our cause, no one who really knows the industry well enough to understand our unique needs. What we do have is legislation that does nothing to improve our situation," he says, referring to the Catastrophic Insurance Law, active Jan. 1, 1989, which deals with short-term Medicare reimbursement requirements, but does not address the long-term picture.

Regardless of government legislation, both the AHA and the American Association of Homes for the Aging expect to see a decline in the number of large national nursing-home chains and the emergence of more single owners of three or four carefully researched and planned nursing homes

Table service and menu variety are on the rise in assisted-living facilities.

For information Sunkist Growers circle 35 ■

The 75- to 84-year group will grow by 4.5 million in the next 15 years.

in a relatively small geographical area (one state or two at most).

"In the past few years, we've seen a shift. Twenty to 50 of the large national nursing-home chains are consolidating, they are backing off from expansion," says Keegan. She projects that the development of small, regional chains will be carefully orchestrated: "There will be very heavy consideration given to the number of private payers in the area."

Strong consideration will be given to the private pay market and private sector involvement in care alternatives, as well. While non-profit centers, including many city and church subsidized operations, accept seniors with limited savings, a good portion of that 75% of seniors who do not need nursing-home care will not qualify because they have some funds to invest in reasonably priced alternatives. Hence, day care, home care, meals on wheels and assisted living, or personal-care centers, many of which are not dependent on Medicaid and Medicare, will show strong growth in the next few years, industry experts say.

Fraser's personal-care centers are an example of this kind of alternative. Fraser developed Vintage American Financial Corp.'s concept with his partner and president of the company, Dr. Mike Hendrickson.

Hendrickson got into the personal-care field when his research revealed a large population of elderly who may need limited assistance in daily living. Sound in mind and in relatively good health, these seniors may not be able to drive, they may need some help dressing or remembering medication, but overall, they are still a dynamic part of our society.

Over a 6- to 10-year period, people in this group tend to become dependent on their families or, in choosing to remain at home, often become depressed. Severe depression, suffered by 50% of this group, can lead to accelerated decline and entry into nursing homes sooner than would be needed if alternatives were available.

One of Vintage's units, Elder Homestead in Minneapolis, features 28 apartments, which clients rent for $900 to $1,300 on a month-to-month lease. In addition to the apartments, the facility features dining rooms and areas for socializing. Meals, housekeeping services and care management services are included in the tab. Aides are available to help residents with a variety of day-to-day tasks, but no licensed medical personnel are on staff and the facility is not reimbursed by Medicaid or Medicare. The clientele has an average annual income of $10,000 to $15,000.

"I think we'll be seeing an increase in assisted-living centers in 1989," says Susan Pettey, director of health policy for the American Association of Homes for the Aging. While life-care centers—those facilities offering everything from residential communities to nursing homes to acute-care hospitals in one setting— will still be an option for the affluent elderly, Pettey says they will not answer the long-term care needs of many of the elderly populace.

The reason for this, cited by Pettey as well as other industry spokespersons, is the high cost of entering life-care centers, sometimes $100,000 to $200,000.

"Those life-care centers that are established are doing fine, some have 8- to 10-year waiting lists," says Juhkentaal. "It is the new ones that are having trouble. Some need high entry fees and then have monthly fees on top of those, just to make ends meet. The problem is that many have failed to analyze the demographics to make sure the local community could support such a facility."

While there is no single solution to caring for the diverse and growing elderly population, the private sector and the government must work together to provide funding and to improve the attitude toward the labor force caring for the elderly, especially in terms of competitive salaries. —*B.G.*

WHAT'S AHEAD IN '89

- **More nursing homes and assisted-living centers are opening their foodservice to seniors living in the nearby community.**
- **Sunday buffets for family and friends and theme dinners are on the rise.**
- **Assisted-living centers are catering to their clientele with increased room service, catering, private dining and restaurant-style dining rooms.**
- **Local community organizations like the Kiwanis and Rotary are being invited to hold meetings in the facilities and are encouraged to get involved with residents.**
- **Meals on Wheels programs will thrive in '89.**
- **Special socializing areas, like ice cream parlors and small on-premises pubs, are opening in many centers.**

1989 ANNUAL FORECAST

TRANSPORTATION

Expected increases in passenger miles and vacations will lead to real growth in the transportation industry in 1989. Airlines will make menus more exciting and healthful to attract customers.

Real growth: 1.5%

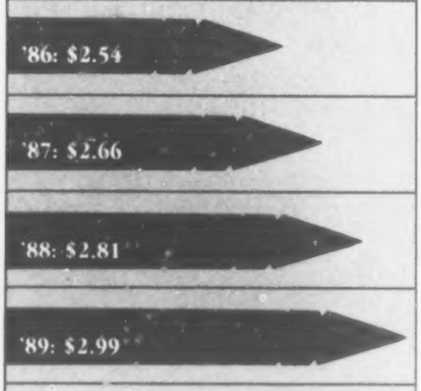
1989 sales: $3 billion

1989 beverage alcohol sales: $493 million

Market share: 1.4%

Units: 350

Combined food and non-alcoholic beverage sales in billions, 1986-89:



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TRANSPORTATION

Outlook for rail foodservice positive; airlines respond to consumer demand.

Travel modes seem to have shifted slightly in 1988. For the first time in this decade, Amtrak reported a substantial increase in ridership, almost 2.5 million, which amounts to a 3% to 5% increase. At the same time, air passenger revenues increased a modest 1.5%, according to the U.S. Department of Commerce.

Amtrak officials are confident that ridership will continue to climb at the rate of 2% to 5% a year through 1992. This consistent rise will put money into the food and beverage pot (about a $6 million increase in 1988), improving rail foodservice substantially.

Improvements in Amtrak menus include more cooking on board, as opposed to the mostly microwave preparation that began when budgets were cut in 1980. Each train now also will have a different cycle so that as one travels across the country, menus do not repeat.

Airlines have been responding to consumer demands for lighter, more healthful and interesting food. Some airlines think the drought will contribute to higher food costs, and predict a shrinking of the quantity and level of airline foodservice. They believe this will result in meal "window" reductions. Thus, instead of breakfast from 7:30 a.m. to 10:00 a.m., the meal will only be served until 9:00 a.m. Labor in airline foodservice may become a bigger problem in 1989, as less qualified people enter this segment of the foodservice industry.

"More flair is coming back into inflight meal service," says Ray Chanaud of Onboard Services Magazine, a magazine for airline, ship and catering foodservice. "There are also more considerations for healthful eating because that is what customers are requesting." He offers two examples: Airlines are hiring dietitians to monitor and help develop meals, and they are running videos to instruct passengers how to exercise in their seats.

American Airlines' contractor, Sky Chefs, has just completed a new program of heart-healthy menus in conjunction with the American Heart Association that will be publicized heavily. The airline is treating healthful menus as a marketing tool. Werner Gerst, director of Menu Service, Design and Training, says passenger surveys have shown that people want lighter menus, and the airline has responded.

United Airlines started a new program in 1988, geared to eliminate boring inflight meal service without raising budgets. The airline instituted a series of meal promotions designed to offer customers more variety, and they were able to execute the program inexpensively by using some packaged products (less labor cost) and entrees with lower food cost (such as pasta instead of beef). The promotions will continue in 1989, beginning in January with an Italian month that was highly successful last year.

While most of the airlines are using food promotions to generate meal excitement, a small segment of the airline industry wants to provide luxury service to capture business clientele. Donald Trump hopes to carve an elite niche in the air, similar to his real estate holdings on the ground. The Trump Shuttle will operate between Boston and New York. The shuttle, a recent purchase from Eastern Airlines, will operate with refurbished planes, including new colors on the outside and fewer, more comfortable seats on the inside. The fares will be so high, however, that the shuttle will appeal only to a select few. —***Nancy Backas***

Amtrak brings people back to the rails with meal variety and freshness.

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone 415/981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: 03/366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
AKRO Corporation (p.192)	63
Adamation (p.192)	62
Alto-Shaam, Inc. (p.89-92)	26,27,28,29
American Permanent Ware, Inc. (p.159)	44
Amoco Foam Products Company (p.120-121,139)	121,128
Australian Meat And Livestock Corp. (p.176,177)	53,54
Bally Engineered Structures, Inc. (p.190)	60
Bettcher Industries (p.160-161)	45
Bil Mar Foods, Inc. (p.180)	56
Blue Diamond Growers (p.152)	41
Brooks & Sons, Inc., J.R. (p.193)	64
Browning Ferris Industries (p.145)	39
Buffalo China, Inc. (p.49)	13
Bunge Edible Oil Corp. (p.19)	7
Bunn-O-Matic Corp. (p.163)	46
Calavo Growers of California (p.26-27)	10
Cambro (p.80-81)	23,24
Carnation Co., Foodservice (p.72-73)	22
Certified Angus Beef (p.186-187)	57
Chef Paul Prudhomme, Cajun Magic Spices (p.191)	66
Classified Advertising (p.201-208)	
Clear Springs Trout (p.110-111)	38
COEX '89 (p.189)	
Commercial Aluminum Cookware Co. (p.97)	32
Continental Coffee Products (p.IBC)	81
Delta Pride Catfish (p.149)	40
Dow Chemical USA (p.141)	129
Durkee-French Foods, Inc. (p.4)	3
Ekco Products/PCA (p.119)	120
Equal Low Calorie Sweetner (p.64-65)	17
Fishery Products, Inc. (p.68-69)	19
Foodservice & Packaging Institute (p.113-144)	87
Fort Howard Corporation (p.20-21,128-131)	8,124,125
Garland/A Welbilt Co. (p.164-165)	47
General Slicing (p.198)	72
Genpak Corp. (p.135)	126
Grindmaster Corporation (p.199)	74
The Hall China Co. (p.96)	31
Harris/3M (p.194-195)	65
Hatco Corp. (p.156)	43
Heinz Co., H. J. (p.16-17)	6
Hormel & Co., George A. (p.56-57)	15
Hunt-Wesson Foodservice Div. (p.7-10)	4
Iceland Seafood Corp. (p.59-62)	16
James River Corp. (p.125)	122
Jennie-O-Foods, Inc. (p.95)	30
John Morrell (p.171)	49
Kahn's and Co. (p.173-175)	52
Katchall Industries, Inc. (p.199)	73
Kellogg Company (p.71)	
Lancaster Colony Commercial Products (p.198)	70
Le Gout Foods, Div. Fearn International, Inc. (p.IFC)	1
Libbey Glass Foodservice, Libbey Glass Div. (p.25)	9
Micros Systems, Inc. (p.55)	14
Miller Brewing Co. (p.155)	42
Milliken Visa (p.71)	20
Minor Corp., L.J. (p.15)	
Mobil Chemical Company (p.117,127,137)	119,123,127
Molded Fiber Glass Tray Co. (p.198)	69
National Livestock & Meat Board (p.144-A)	83
National Sea Products (p.106-107)	36
New Zealand Game Industry Board (p.188)	58
Nordic Ware (p.200)	78
Odom Sausage (p.101)	34
Ore-Ida Foods, Inc. (p.29-31)	11

continued on page 209

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800.

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address.

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Saul Goldweitz, Chairman; Ronald G. Segel, President/CEO; Robert L. Krakoff, Executive Vice President; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

Jan. 23, 1989 Not Filmed

C1850-3
2/23/89

R&I EXCLUSIVE: CONSUMERS PICK TOP CHAINS...44

R&I survey ranks quality, awareness, patronage...53

New Taste series: Great American Food Chronicles...118

R&I Report: Trademarks; service charge; drugs.......26

Food: A sunny side up approach to breakfast dishes..132

FEBRUARY 6, 1989

A Cahners publication serving the total foodservice industry

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FEB. 6, 1989

BRIEFINGS

VOL. 99 NO. 4

R&I's Annual Choice in Chains

■ In naming the restaurant chains they like best, consumers not only selected *R&I*'s 1989 Choice in Chains winners, but cast their vote for or against menu and operational trends throughout the country. Our story presents profiles of the 10 winning chains, as well as sketches of the 62 runners-up.

Exclusive on page 44.

And the Winners Are . . .

BURGER CHAINS: Wendy's won the top spot for the burger segment in our customer-satisfaction ranking. The next highest-scoring companies, in order, are Whataburger, Burger King, McDonald's and Hardee's. ***Page 56.***

SANDWICH CHAINS: Rax tops the list with A&W, Arby's, Roy Rogers and Subway following close at hand. ***Page 62.***

SWEET SHOPS: Customers this year are most tempted by TCBY's frozen yogurt. They also like to satisfy their sweettooth yearnings at Baskin-Robbins, T.J. Cinnamon, Carvel, Dairy Queen and Dunkin' Donuts. ***Page 64.***

FAMILY DINING: Mom, Dad and the kids especially like to gather at Bakers Square. Other companies catering nicely to the family are Morrison's, Shoney's, Furr's. ***Page 66.***

CASUAL DINING: Benihana returns to the top of this dining category, primarily because of its atmosphere. Stuart Anderson is rated high for its food quality. ***Page 80.***

CHICKEN CHAINS: Grandy's takes the grand prize in this year's Choice in Chains survey. Kentucky Fried Chicken's and Chick-fil-A's marks are almost as high. ***Page 86.***

SEAFOOD HOUSES: Red Lobster captures most customer satisfaction in this category. But many customers, 50 years or older, are hooked on Capt. D's. ***Page 92.***

STEAKHOUSES: Survey respondents stamp Steak & Ale Prime, with Western Sizzlin', Mr. Steak and Golden Corral rated Choice. ***Page 94.***

MEXICAN CHAINS: Food quality was often the deciding factor in patrons' choice of a restaurant in this group. El Torito is "hot," Chi-Chi's and Taco Bell follow. ***Page 102.***

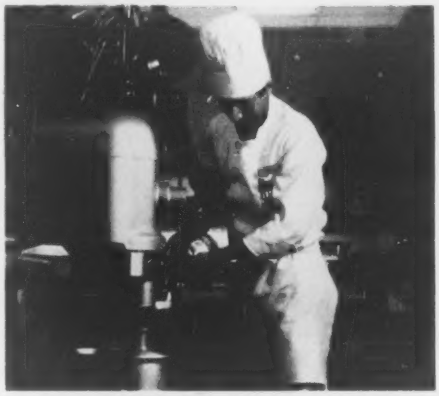
PIZZA PLACES: Pizza Hut tops our survey's list of the most popular pizza chains. Godfather's and Domino's deliver some competition. ***Page 106.***

About the Cover

■ In the first article of a new series, Great American Food Chronicles, *R&I* pays tribute to the first hundred years of, and looks at some variations on, a wonderful culinary creation, the hamburger.

Story on page 118.

A complete index to this issue is on page 6.



Mixers in the kitchen on page 129.

One of America's favorite chains on page 44.

The Hamburger Chronicle on page 118.

CONTENTS

FEB. 6, 1989 VOL. 99 NO. 4

JESSE H NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS
A summary for busy readers 5

COMMENTS
Great American Food Chronicles: Part One . . . 11
Operations in this issue 11

VIEWPOINT
Back to basic *what?* 12

R&I FORUM
Letters 20

R&I REPORT
Legislation: Trademark legislation updated 26
Labor: Making workplaces drug free 28
Policies: Switch to service charge can work 30
Industry Update: Credit-card fee hikes reversed 34
Human Resources: AIDS cases can create "Catch 22" 36

R&I SCENE
People, Places & Promos 40
Personal Glimpse: Thad Eure Jr. 41

R&I CHOICE IN CHAINS
Customer Survey: America's favorite chains 44
Segment winners 46
Burgers 56
Sandwiches 62
Sweets 64
Family dining 66
Casual dining 80
Chicken 86
Seafood 92
Steak 94
Mexican 102
Pizza 106

MENUS
Menu Concepts: "Great Restaurants" looks for inspiration; Subway rolls turkey, low-calorie menu; Cooker opens eighth family restaurant 111
Consumers' Choice: Porking out 111

TASTE
American Cuisine: The hamburger (first article in *R&I* 's new series, Great American Food Chronicles) 118

EQUIPMENT
Vertical Mixers: Mixers smoothly blend function and efficiency 129

FOOD
Day Parts: Sunny side up 132

MARKETPLACE
Buyers Mart 150

CLASSIFIED ADS
Buying, selling, changing jobs 163

ACTION EXPRESS
For more information about products 172

ADVERTISERS INDEX
Where to find ads in this issue 172

READER SERVICE CARD
To send for more information 173

CUSTOMER SURVEY

America's Favorite Chains

Dining-out public approves of popular food trends and discounts a few myths.

In naming the restaurant chains they like best, consumers not only selected *Restaurants & Institutions'* 1989 Choice in Chains winners, but cast their votes for or against menu and operational trends throughout the industry. First, good news for the numerous sweets chains that have added frozen yogurt. TCBY's victory over Baskin-Robbins in the sweets category proves that Americans will seek out low-fat treats. But customers also seek out rich desserts, namely Bakers Square's pies: The chain beat both Bob Evans and Shoney's in the family-dining segment. Customers really want variety or else Rax, which offers an extensive food bar, would not have topped sandwich-only chains in that category. Wendy's rise to No 1. among burger chains, Benihana's return to the top of the casual dining category and Steak & Ale's win in the steakhouse segment prove that financial setbacks are no excuse for offering patrons less than the best in service, food and atmosphere. Customers themselves prove correct two opposing theories: Bigger is better *and* smaller is sweeter. National giants Pizza Hut and Red Lobster take the prize in the pizza and seafood categories, respectively. But Texas favorite Grandy's tops even Kentucky Fried Chicken among chicken chains; and El Torito, which has most of its units on the West Coast, beats out Taco Bell. Read on for profiles on each of the 10 winning chains and sketches of the 62 runners-up.

—Lisa Bertagnoli and Brian Quinton

RESTAURANTS & INSTITUTIONS

Kevin Higgins (r.) and daughter Caitlin enjoy breakfast at Bakers Square, winner in the family-dining segment.

1988 CHOICE IN CHAINS WINNERS

Burgers
WENDY'S INTERNATIONAL

Sandwiches
RAX RESTAURANTS

Sweets
TCBY

Family Dining
BAKERS SQUARE

Casual Dining
BENIHANA

Chicken
GRANDY'S

Seafood
RED LOBSTER

Steak
STEAK & ALE

Mexican
EL TORITO

Pizza
PIZZA HUT

R&I CHOICE IN CHAINS

Winners focus on signature menu items and service systems to keep customers happy.

WENDY'S INDEX: 1.20

Executives at Dublin, Ohio-based Wendy's think they know why they are back in first place in the burger segment. "We are guilty of having moved away from burgers, but have increased the focus on burger superiority," says Denny Lynch, vice president of communications for the burger chain.

The SuperBar, which has been accused of blurring Wendy's focus on burgers, will remain "a piece of the puzzle for the '90s," Lynch says. The hot and cold food bar has been installed in 2,000 of the chain's 3,600 restaurants. The chain is also experimenting with additional menu uses for the bar, Lynch adds.

Customers say Wendy's best attribute is good value, but like the atmosphere as well. "We go to Wendy's because of the salad bar and the atmosphere," says Gary Fishleigh, whose children help make restaurant selections. Most Wendy's patrons live in the South Atlantic and East North Central regions, and spend between $10 and $25 on meals out per week. Young parents are more likely to visit Wendy's than any other demographic group.

RAX INDEX: 1.24

Rax, like Wendy's, plans to renew its focus on sandwiches, says President Larry Ritter. About four years ago, the chain turned its salad bar into a hot and cold lunch/dinner bar and, in fact, recently added Oriental items to the lineup. The return to sandwiches and a simpler salad bar will dispel some store-level operational problems associated with the bar, and will allow Rax to lower the price of the food bar, Ritter says.

Last year, Rax introduced meatball and taco pocket sandwiches. More pocket varieties, a honey-cured ham sandwich and a king-size roast beef sandwich are in test, Ritter says. On the service side, the chain is experimenting with self-service beverage stations.

Patrons say Rax's best attribute is quality of food. "The salad bar is good and plentiful," recalls Candy Stoner. Rax, which is based in Columbus, Ohio, does well in the East North Central regions, with patrons who spend between $26 and $50 a week on meals away from home. The chain is most popular with young parents.

TCBY INDEX: 1.54

The biggest yogurt chain in the country jumped on a hot trend in January by adding six flavors of nonfat yogurt, including macadamia nut and strawberry. During winter months, the chain is offering Belgian waffle sundaes, hot brownie sundaes and Bananas

Wendy's (l.) and Rax, both major players in the hot food-bar game, are refocusing on basic fare: burgers for Wendy's, roast-beef sandwiches for Rax.

HOW *R&I* RANKS POPULARITY

To compile this year's *R&I* Choice in Chains ranking, the market research firm National Family Opinion Inc. sent 2,000 questionnaires to a demographically balanced sample of the population and received 1,309 usable replies, a 65% return rate.

The questionnaire listed the top 75 restaurant chains from the most recent *R&I* "400" and asked respondents (1) whether they had heard of the chain, (2) whether they had eaten there in the last year, and (3) if so, whether they had enjoyed the experience a great deal, somewhat or not at all.

Each chain received two points for every respondent who liked it "a great deal" and one point for everyone who "liked it somewhat." From this figure, tabulators subtracted one point for every respondent who disliked the chain. Finally, the point total was divided by the number of those surveyed who said they had tried the chain in the last year. This final number, ranging anywhere from −1 to +2, became the chain's satisfaction index.

The chain with the highest satisfaction index in its segment won the category. Where two chains earned the same satisfaction index, the one visited by more respondents was declared the winner.

Please note: Numbers appearing to the right of each company name on these two pages refer to the *R&I* satisfaction index.

TCBY, the country's largest yogurt chain, now rules the sweets category.

Foster. In addition, the chain continues to roll out new flavors to prevent customer boredom. In 1987, for instance, the chain rolled out White Chocolate Mousse, a "megaflavor," according to Mimi Hurst, vice president of corporate communications for the Little Rock, Ark.-based chain.

On the service side, Hurst says, the chain is making drive-thru service a priority by choosing restaurant sites that can handle drive-thru traffic.

TCBY patrons give the chain highest marks for food quality. "The yogurt really has the best flavor," says Michael Lorenzini, a young single who frequently visits TCBY. The chain is most popular in the South Atlantic region, and young couples are TCBY's most loyal customers. Most customers of the yogurt chain spend between $26 and $50 per week on food away from home.

BAKERS SQUARE INDEX: 1.53

Bakers Square has done much in the past year to improve service, says Emerson Kendall, president of the the Matteson, Ill.-based chain, which is a division of VICORP Restaurants. The chain has a program for store-level managers that awards points for prizes and other incentives commensurate with a restaurant's level of service.

Even though all Bakers Square restaurants offer breakfast, Kendall says the chain continues to focus on dinner and dessert. Several chicken dinners were added to the menu last year, as was a new pie, Caramel Pecan Silk Supreme. Two new chocolate cakes are in test.

Two-thirds of respondents who patronize Bakers Square think the chain has good-quality food. "The meal I had was fine," says Connie Milward, a single woman who works for an electronic communications firm in New York City. Bakers Square is most popular in the East North Central region, and with people who spend $26 to $50 on meals out each week. Young parents are more likely to visit Bakers Square than any other demographic group.

BENIHANA INDEX: 1.47

Miami-based Benihana has thrived since 1964 on selling "the sizzle" as aggressively as the steak—or shrimp, lobster, chicken or sushi. "It's fun to watch them prepare the food here, and the food is always fresh," says New Yorker Ken Filmanski. Senior Marketing Vice President Glen Simoes says that is exactly the marketing point Benihana wants to make. "We sell two things here: showmanship and freshness," he says. "You can get a cheaper meal, but not a healthier one or one that gives you more entertainment."

Sure enough, customers cite atmosphere as Benihana's No. 1 attribute, though food quality and service follow close behind at second and third. Value trails the list. "Benihana customers know it's going to cost them a bit more," Simoes says. "They don't care."

continued on page 52

An entertaining atmosphere puts the sizzle in Benihana's sales.

GEOGRAPHICAL BREAKDOWN

Choice in Chains breaks the continental United States into nine regions.

Pacific: Washington, Oregon, California

Mountain: Idaho, Montana, Wyoming, Colorado, Utah, Arizona, New Mexico, Nevada

West North Central: North and South Dakota, Minnesota, Iowa, Nebraska, Kansas, Missouri

West South Central: Texas, Oklahoma, Arkansas, Louisiana

East North Central: Wisconsin, Illinois, Indiana, Michigan, Ohio

East South Central: Kentucky, Tennessee, Mississippi, Alabama

South Atlantic: Delaware, Virginia, West Virginia, Maryland, North and South Carolina, Georgia, Florida

Mid Atlantic: New York, New Jersey, Pennsylvania

New England: Vermont, New Hampshire, Maine, Massachusetts, Rhode Island, Connecticut

DEMOGRAPHIC BREAKDOWN

Young Single: One household member, 35 years or younger.

Young couple: Household head is 45 or younger. Couple can be married or unmarried. No children.

Young parent: Household head is 45 or younger; child is under 6.

Middle single: One household member aged 35 to 65.

Working older couple: Household head is 45 or older and is working. Couple can be married or unmarried. No children living in the house.

Middle parent: Household head is under 45. Youngest child is 6 or older.

Older single: One household member, older than 65.

Retired older couple: Household head is 45 or older and retired. Couple can be married or unmarried. No children living in the house.

Older parent: Household head is 45 or older. At least one child lives in the house.

R&I CHOICE IN CHAINS

Patrons cite value and quality of food as top attributes for nearly all of the winning chains.

continued from page 47

The chain does best in the Pacific region and among patrons who spend between $26 and $50 a week on dining out. Most of them are older parents; more than 40% of Benihana's customers are parents of all ages.

GRANDY'S INDEX: 1.18

Grandy's main market is compact—half its diners live in the West South Central area—but within that area the chain has 71% name recognition. Grandy's Marketing Vice President Robert E. Lee says that kind of consumer awareness comes from attentiveness to food quality and service. "We serve a full homestyle meal at Grandy's, not just fast food. Our food is freshly prepared: We even have an in-house bakery where we bake our own dinner rolls and cinnamon buns from scratch."

Lewisville, Texas-based Grandy's also serves a full sit-down breakfast menu with such items as sandwiches of chicken fillet and country-fried steak. The menu for the other dayparts includes steak, both fried and roasted chicken in some areas, and a salad bar.

Food quality is Grandy's best attribute, according to customers like Donna Stiehl of San Antonio, Texas. "I love those cinnamon buns," she says. The chain is most popular with older parents and those who spend $26 to $50 a week on meals away from home.

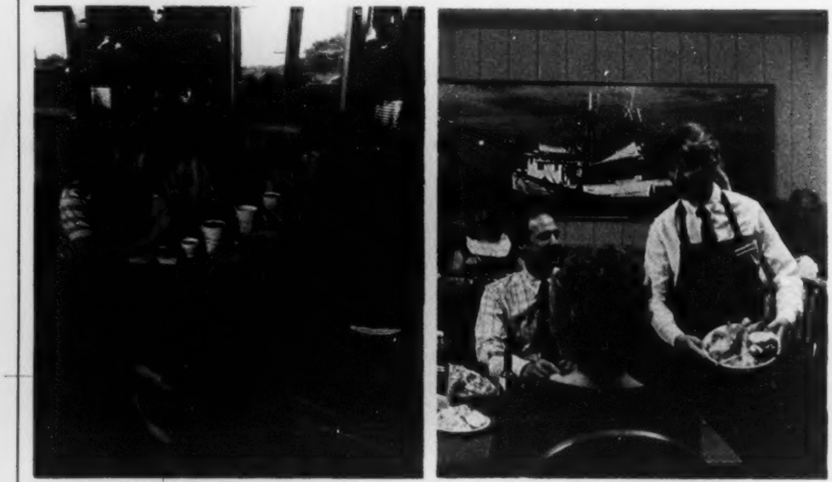
PIZZA HUT INDEX: 1.24

Pizza Hut customers are more impressed by the quality of its food than by other attributes. "The pizza's pretty good," New Yorker Carol Pearce says. "I always order the thick; it's a nice change." But Roger Rydell, a company spokesman for Wichita, Kan.-based Pizza Hut, says service improvements and innovations will be the key point of difference in 1989. "This year we rounded out our product line by adding a medium-crust, hand-tossed pie to our Personal Pan and thin-crust pies. Now we're aiming to provide 'legendary' service."

The company is moving more heavily than ever into restaurant-based delivery and its Downtown Express units are bringing Pizza Hut takeout to heavily trafficked office and shopping sites.

Pizza Hut customers are most often young parents who spend $10 to $25 a week on eating out. They commonly live in the East Central or South Atlantic regions and, on average, eat seven to 11 meals away from home per week.

Grandy's (l.) and Red Lobster both get high marks for food quality and service: Grandy's has "Granny" hostesses who offer free drink refills.



STEAK & ALE INDEX: 1.46

After extensive experiments with a diversified menu of fish, chicken and salad, Dallas-based Steak & Ale returned to its traditional red meat in 1987 and began advertising as "The Legend in Steak" in 1988. Judging from the satisfaction index the chain earned, customers think the switch back to beef was a good idea.

But they like the service at Steak & Ale as much as the food, and they like the ambiance even more: Atmosphere was voted the chain's best attribute. "I bring my family here because we all get a break," says Sheryl Cutler, working mother of two. "It's informal but quiet, so you're not rushed. The kids can get burgers, and I can have steak like a grown-up."

The typical Steak & Ale diner is an older parent from a household that consumes 12 to 19 meals away from home each week. The chain does best in the South Atlantic region. Three out of four customers say they are giving more thought to nutrition now than they did last year. The average customer household spends $25 to $50 a week on dining out.

RED LOBSTER INDEX: 1.41

The Choice in Chains survey shows that patrons think Red Lobster's food quality is its best attribute, but they give the Orlando, Fla.-based chain high marks for service and cleanliness, too. "Everything looks fresh, and it's all very nicely presented," says Chicagoan Susan MacGregor.

And serving that fish properly, the way the diner ordered it, is just as important as its obvious freshness, says company spokesman Dick Monroe. "If a customer wants his order dry-broiled, we tell him it's no problem. If the kids scatter cracker crumbs around the table, we don't make the parents feel like they're causing trouble." Though most entrees are priced around $7.95, "We give $50-a-plate service," Monroe says.

Red Lobster's popularity is greatest in the East North Central section of the country, but the Orlando, Fla.-based chain does well in the Middle and South Atlantic regions, too. The average customer is an older parent who spends $26 to $50 a week on meals away from home. Two-thirds of all Red Lobster customers say they are more concerned with nutrition now than a year ago.

Sizzling
FAJITAS

This year El Torito plans to add more family-sized entrees to its menu.

EL TORITO INDEX: 1.32

"The key to El Torito's popularity is quality, especially the quality of our service," says President and CEO Michael Casey. Bus people still fill patrons' water glasses, and new menu items are explained to servers so they can do the same for customers. That kind of service is a necessary point of difference, Casey says, "now that you can get Mexican food at a host of non-Mexican restaurants."

But like most customers, Laura Bauer of White Plains, N.Y., says the food is the best thing about El Torito. "It's much more interesting than the usual taco-tortilla-burrito plates," she says. "You don't just go and order the same old thing." Casey says El Torito wants to keep that menu sophistication: Last year, the Irvine, Calif.-based chain added such Southwestern items as grilled soft tacos filled with chicken, steak or carnitas, and a *gordita* and blue-corn enchilada combination.

The average customer lives in the Pacific region and spends $10 to $25 a week on eating out. Price points are kept low; every dinner entree except the steak and shrimp combination costs less than $9. In 1989, Casey says, the chain will target child-rearing baby boomers with items such as appetizer platters that can serve two to five people.

continued on page 56

WINNING ATTRIBUTES

These scores represent the percentage of Choice in Chains survey respondents who said the chain performed better than average in the following categories:

	FAST FOOD		FULL SERVICE	
FOOD QUALITY	TCBY	63.2%	Benihana	63.3%
	T.J. Cinnamons	59.3	Stuart Anderson's	63.1
	Grandy's	50.8	Bakers Square	62.4
	Baskin-Robbins	49.2	Fuddruckers	60.5
	Wendy's	46.1	Red Lobster	58.8
SERVICE	Wendy's	45.0%	Benihana	62.8%
	McDonald's	44.0	Bob Evans	54.9
	Domino's	41.8	Stuart Anderson's	52.8
	TCBY	40.9	Shoney's	52.3
	Grandy's	40.8	Bennigan's	50.5
CLEANLINESS	TCBY	51.3%	Bob Evans	54.4%
	Wendy's	48.7	Benihana	53.8
	Baskin-Robbins	44.4	Stuart Anderson's	52.8
	Rax	43.3	Red Lobster	50.8
	T.J. Cinnamons	42.5	Shoney's	49.9
GOOD VALUE	White Castle	53.2%	Western Sizzlin'	60.1%
	Skipper's	51.5	Shoney's	57.7
	Wendy's	49.4	Morrison	56.3
	McDonald's	48.9	Bob Evans	54.9
	Grandy's	48.3	Ponderosa	53.3
ATMOSPHERE	TCBY	29.5%	Benihana	66.3%
	Rax	29.2	Stuart Anderson's	63.1
	Grandy's	27.5	T.G.I. Friday's	61.8
	Wendy's	27.4	Bennigan's	57.5
	Bojangles	24.8	Steak & Ale	57.0

CUSTOMER PATRONAGE AND AWARENESS

While customers reward good service and food with higher satisfaction indexes, they are more likely to visit chains with a greater number of units and bigger advertising budgets.

	FAST FOOD		FULL SERVICE	
AWARENESS	McDonald's	96.2%	Pizza Hut	91.4%
	Burger King	95.3	Howard Johnson's	83.7
	Wendy's	95.0	Red Lobster	83.1
	Kentucky Fried Chicken	94.2	Denny's	82.0
	Arby's	90.1	Intl. House of Pancakes	81.8
PATRONAGE	McDonald's	85.9%	Pizza Hut	65.0%
	Burger King	79.6	Denny's	51.4
	Wendy's	76.1	Red Lobster	50.0
	Kentucky Fried Chicken	72.6	Intl. House of Pancakes	44.2
	Arby's	60.3	Long John Silver's	42.0

R&I CHOICE IN CHAINS

BURGERS

This year marks the end of the longstanding Choice in Chains rivalry between Burger King and Wendy's, for Corpus Christi, Texas-based Whataburger has edged Burger King out of the No. 2 position. Burger King's new position also places the chain one notch above McDonald's, its biggest competitor for customers. Apart from overall satisfaction levels, patrons tend to view all burger chains alike: All are given high marks for good value, and most are praised for good service. Most burger patrons are young, middle and older parents.

Service rates high at Jack In The Box.

WHATABURGER

Headquarters: Corpus Christi, Texas
1987 F&B sales: $265MM**
Units (1/1/88): 392
Satisfaction index: 1.15
Where it does best ...
Region: West South Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Most respondents who visit Whataburger report they are eating out more frequently this year than last year. The chain also appeals to young and older working couples. Whataburger scored high on food quality and service.

BURGER KING

Headquarters: Miami
1987 F&B sales: $5,000MM**
Units (1/1/88): 5,179
Satisfaction index: 1.08
Where it does best ...
Region: South Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Nearly two-thirds of Burger King patrons say they are more concerned about nutrition than they were last year. Two-thirds had ordered food for takeout during the past month. The chain's service gets high marks, too.

McDONALD'S

Headquarters: Oak Brook, Ill.
1987 F&B sales: $14,330.4MM
Units (1/1/88): 10,000
Satisfaction index: 1.01
Where it does best ...
Region: East North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: McDonald's wins top prize for patron awareness: 96.2% of those surveyed have heard of McDonald's: 85% have eaten there in the past month. The chain also is popular in the Pacific and Middle Atlantic regions.

HARDEE'S

Headquarters: Rocky Mount, N.C.
1987 F&B sales: $2,418.9MM*
Units (1/1/88): 2,959
Satisfaction index: 1.01
Where it does best ...
Region: South Atlantic
Life Stage: Older parent
Meal Spending: $10 to $25 a week
Best attribute: Good value

Highlights: Almost half of Hardee's patrons say they often try new restaurants. Most heads of households who patronize the chain are between 50 and 64 years old. Hardee's fares well with households earning under $12,500.

BURGER KING
HOME OF THE WHOPPER

Older parents like Burger King.

continued on page 61

*R&I estimate **company estimate

R&I CHOICE IN CHAINS

SONIC DRIVE-INS

Headquarters: Oklahoma City
1987 F&B sales: $315MM
Units (1/1/88): 953
Satisfaction index: 1.01
Where it does best . . .
Region: West South Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Most respondents who patronize Sonic are under 30 years old. Sonic customers eat between seven and 11 meals away from home each week. The chain also is popular in the Mountain and West North Central regions.

CARL'S JR.

Headquarters: Anaheim, Calif.
1987 F&B sales: $343.6MM
Units (1/1/88): 444
Satisfaction index: .96
Where it does best . . .
Region: Pacific
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Carl's Jr. also scores high on food quality and service. About half the respondents who visit Carl's Jr. say they are eating out more often this year than last year. The chain scores well with young and middle parents.

WHITE CASTLE

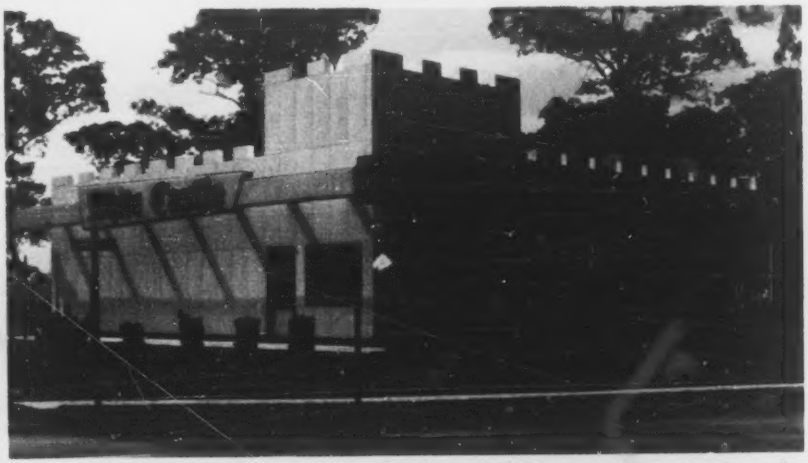
Headquarters: Columbus, Ohio
1987 F&B sales: $282.6MM
Units (1/1/88): 236
Satisfaction index: .88
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Good value far and away is White Castle's best quality, patrons say. Those who say they visit the chain eat between 12 and 19 meals out each week and spend between $26 and $50 on meals out each week.

JACK IN THE BOX

Headquarters: San Diego, Calif.
1987 F&B sales: $655.1MM
Units (1/1/88): 897
Satisfaction index: .61
Where it does best . . .
Region: Pacific
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Service

Highlights: Respondents who are frequent patrons of Jack In The Box spend $26 to $50 per week on meals out. Customers rate the chain high for cleanliness. Half the patrons live in the Mountain and Pacific regions.



White Castle customers spend between $26 and $50 on meals out each week.

FOR HERE OR TO GO?

Burger-chain customers are more likely than customers in any other segment to have ordered takeout during the past month.

Chain	% who ordered takeout during the past month
Carl's Jr.	68.8%
Jack In The Box	67.7
White Castle	67.2
Whataburger	65.2
Sonic Drive-Ins	62.1
Burger King	61.8
Wendy's	61.5
McDonald's	60.3
Hardee's	59.5
Total Sample	**57.2**

R&I CHOICE IN CHAINS

SANDWICHES

If Choice in Chains had a category for Best Alternative, sandwiches would win. Singles and older parents, as well as people with bigger eating-out budgets, tend to visit sandwich chains more often than they do hamburger restaurants. Sandwich chains offer the good value that customers demand, plus a few extras such as top-notch food and a pleasant atmosphere. Although some sandwich chains tout themselves as the healthful alternative, sandwich customers are no more concerned with nutrition than their burger-eating peers.

A&W

Headquarters: Dearborn, Mich.
1987 F&B sales: $154MM
Units (1/1/88): 531
Satisfaction index: 1.10
Where it does best . . .
Region: East North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: A&W also scores high in service and cleanliness. The atmosphere of the restaurants appeals most to older singles and older parents. Most A&W customers eat between seven and 11 meals away from home each week.

ARBY'S

Headquarters: Atlanta
1987 F&B sales: $980MM
Units (1/1/88): 1,881
Satisfaction index: 1.10
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Arby's also does well with residents in the South—the chain is based in Atlanta—and with households earning between $12,500 and $19,900 a year. Patrons gave the roast-beef chain high marks for cleanliness.

ROY ROGERS

Headquarters: Washington, D.C.
1987 F&B sales: $212MM*
Units (1/1/88): 556
Satisfaction index: 1.08
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Half the survey respondents who said they visit Roy Rogers live in the Northeast region: 40% of the household heads who visit Roy Rogers are between 50 and 65 years old. Patrons also praised the chain for cleanliness.

SUBWAY

Headquarters: Milford, Conn.
1987 F&B sales: $272MM**
Units (1/1/88): 1,815
Satisfaction index: 1.06
Where it does best . . .
Region: South Atlantic
Life stage: Middle parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: One-third of the respondents who visit Subway are married and have children less than 19 years old. Subway customers eat between four and seven meals out per week, but tend to spend more money on meals.

Most Arby's patrons live in the East North Central and Southern regions.

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*R&I estimate **company estimate

R&I CHOICE IN CHAINS

SWEETS

Customers have placed treats in a class by themselves: All but one of the sweets chains earned highest marks for food quality, not for service or good value, the signature of most quick-service chains. Premium-priced restaurants, such as T.J. Cinnamons, attract patrons who spend more money than the average customer on meals away from home. Survey respondents also prove that the diet dichotomy lives on: At least half the patrons from each chain say they are more concerned about nutrition than they were last year.

BASKIN-ROBBINS

Headquarters: Glendale, Calif.
1987 F&B sales: $624.7MM
Units ~~(1/1/88):~~ 3,372
Satisfaction index: 1.48
Where it does best . . .
Region: South Atlantic
Life stage: Young parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Baskin-Robbins patrons give the chain high marks for cleanliness. The ice cream chain does well in the Pacific region. Most heads of households who patronize Baskin-Robbins are between 30 and 39 years old.

T.J. CINNAMONS

Headquarters: Kansas City, Mo.
1987 F&B sales: $35MM
Units (1/1/88): 201
Satisfaction index: 1.47
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Diet dichotomy strikes again: About half the survey respondents who patronize T.J. Cinnamons are more concerned with nutrition now. One-third of the household heads patronizing the chain are between 30 and 39 years old.

CARVEL

Headquarters: Yonkers, N.Y.
1987 F&B sales: $243.8MM
Units (1/1/88): 750
Satisfaction index: 1.28
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: Carvel also wins accolades for good value. Households with annual incomes between $20,000 and $29,900 are frequent patrons of the chain, as are households with annual incomes more than $45,000.

DAIRY QUEEN

Headquarters: Minneapolis
1987 F&B sales: $1,900MM
Units (1/1/88): 5,005
Satisfaction index: 1.18
Where it does best . . .
Region: East North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Dairy Queen patrons often belong to households earning less than $12,500 a year. The chain definitely attracts a younger set: One-third are married with a child less than 19 years old.

DUNKIN' DONUTS

Headquarters: Randolph, Mass.
1987 F&B sales: $726MM
Units (1/1/88): 166
Satisfaction index: 1.12
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: Although Dunkin' Donuts is based in the East, the chain is most popular in the South. Young and middle parents are frequent Dunkin' Donuts customers, as are people who eat 12 to 19 meals out per week.

T.J. Cinnamons tempts big spenders.

R&I CHOICE IN CHAINS

FAMILY DINING

Family restaurants, or coffee shops, are meeting dining-out needs better than restaurants in most other segments, according to survey respondents. All but two of the cafeterias and coffee shops listed received a satisfaction index of average (1.00) or better, and respondents cited good value as best attribute for 10 of the 15 chains highlighted here. Four-fifths of the chains appeal most to older couples and parents, and almost half do best with households that spend between $26 and $50 each week on meals away from home.

MORRISON'S CAFETERIAS

Headquarters: Mobile, Ala.
1987 F&B sales: $310MM
Units (1/1/88): 162
Satisfaction index: 1.39
Where it does best ...
Region: South Atlantic
Life stage: Older retired couple
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Morrison's also attracts older parents and customers from households that earn less than $12,500 a year. The cafeteria chain earns high marks for quality of food. Patrons eat four to six meals per week away from home.

SHONEY'S

Headquarters: Nashville, Tenn.
1987 F&B sales: $718.6MM
Units (1/1/88): 614
Satisfaction index: 1.37
Where it does best ...
Region: South Atlantic
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Shoney's fares well with older couples: More than half the household heads between 50 and 64 years old assign Shoney's highest marks for quality of food. About 25% of Shoney's patrons earn between $30,000 and $44,000.

FURR'S CAFETERIAS

Headquarters: Lubbock, Texas
1987 F&B sales: $256.2MM
Units (1/1/88): 152
Satisfaction index: 1.37
Where it does best ...
Region: West South Central
Life stage: Older working couple
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Furr's customers tend to be "heavy users," eating out between 12 and 19 times per week. More than half the respondents who patronize Furr's say they order food for takeout more than once a month.

BOB EVANS

Headquarters: Columbus, Ohio
1987 F&B sales: $220MM
Units (1/1/88): 196
Satisfaction index: 1.32
Where it does best ...
Region: East North Central
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: More than half the respondents who eat at Bob Evans live in the North Central region. Patrons give the chain high marks for service. Respondents from the $45,000 to $59,900 income bracket also patronize Bob Evans.

PERKINS

Headquarters: Nashville, Tenn.
1987 F&B sales: $343.7MM
Units (1/1/88): 334
Satisfaction index: 1.27
Where it does best ...
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: Most of the Perkins patrons say they eat four to six meals away from home each week. Customers give the chain high marks for cleanliness. Perkins does well with households earning between $20,000 and $29,900.

Older people praise Shoney's food.

*R&I estimate **company estimate

For information circle 22 ⟶

SWENSEN'S
Headquarters: Phoenix, Ariz.
1987 F&B sales: $84.4MM*
Units (1/1/88): 356*
Satisfaction index: 1.25
Where it does best . . .
Region: Pacific
Life stage: Middle parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Swensen's enjoys almost as much popularity with young parents as it does with middle parents: Household heads who dine at Swensen's are between 30 and 39 years old. Customers also praise the chain for cleanliness.

PICCADILLY CAFETERIAS
Headquarters: Baton Rouge, La.
1987 F&B sales: $217.5MM
Units (1/1/88): 116
Satisfaction index: 1.25
Where it does best . . .
Region: South Atlantic
Life stage: Young couple
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: Older parents as well as young couples are big Piccadilly fans. The chain also attracts households that spend between $26 and $50 on meals out. Two-thirds of Piccadilly patrons purchased food for takeout during the past month.

FRIENDLY ICE CREAM
Headquarters: Wilbraham, Mass.
1987 F&B sales: $572.4MM
Units (1/1/88): 840
Satisfaction index: 1.17
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: The chain prefers to be placed in the family-dining segment, not in the sweets segment. Friendly scored high on food quality. Most respondents who visit Friendly say the household head is between 50 and 64 years old.

COUNTRY KITCHEN
Headquarters: Minneapolis
1987 F&B sales: $169.2MM
Units (1/1/88): 252
Satisfaction index: 1.16
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Respondents from households earning between $20,000 and $29,900 are frequent Country Kitchen visitors. The Carlson Cos.-owned chain earned a high score for service. Older couples also are Counrty Kitchen fans.

POFOLKS
Headquarters: Nashville, Tenn.
1987 F&B sales: $180MM
Units (1/1/88): 164
Satisfaction index: 1.13
Where it does best . . .
Region: South Atlantic
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Despite financial woes (the company is operating in Chapter 11), PoFolks is holding its own on the quality front: Patrons praise the chain for food quality and service. PoFolks scores well with middle singles.

Great Ice Cream
and Food

Swensen's appeals to middle parents.

continued on page 74

FAMILY-DINING CUSTOMERS EATING OUT MORE FREQUENTLY

On the whole, more family-dining patrons than patrons in other segments say they are eating out more frequently this year.

Chain	% of patrons who eat out more
Country Kitchen	40.7
Swensen's	40.1
IHOP	38.5
Shoney's	38.2
Big Boy	38.1
Bob Evans	37.3
Bakers Square	36.9
Friendly	36.8
Waffle House	36.6
Howard Johnson's	36.3
Denny's	36.1
Perkins	35.0
PoFolks	34.5
Furr's	32.7
Morrison's	32.5
Piccadilly	29.1
Total sample	**32.5**

R&I CHOICE IN CHAINS

HEALTHY TENDENCIES

More than two-thirds of the customers at each family-dining chain are more concerned about nutrition this year.

Chain	% respondents more concerned about nutrition
Swensen's	74.0%
Perkins	71.7
Bakers Square	71.1
Waffle House	70.3
Furr's	70.0
IHOP	69.2
Big Boy	68.9
Friendly	68.4
Denny's	68.3
Shoney's	68.1
Howard Johnson's	68.0
PoFolks	67.8
Piccadilly	67.7
Bob Evans	67.4
Morrison's	66.6
Country Kitchen	66.4
Total sample	**67.5**

continued from page 71

BIG BOY

Headquarters: Washington, D.C.
1987 F&B sales: $1,096.8MM*
Units (1/1/88): 914
Satisfaction index: 1.10
Where it does best ...
Region: East North Central
Life stage: Young parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Heads of households who visit Big Boy eat between 12 and 19 meals out each week. Fewer than one-fourth of the household heads who visit Marriott-owned Big Boy are between 50 and 64 years old.

WAFFLE HOUSE

Headquarters: Norcross, Ga.
1987 F&B sales: $230.6MM*
Units (1/1/88): 610*
Satisfaction index: 1.05
Where it does best ...
Region: South Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Waffle House maintains a low business profile, but obviously pays attention to customers: Patrons gave the chain high marks for service. Young couples and middle singles also comprise Waffle House's customer base.

INTL. HOUSE OF PANCAKES

Headquarters: N. Hollywood, Calif.
1987 F&B sales: $297.5MM
Units (1/1/88): 454
Satisfaction index: 1.00
Where it does best ...
Region: South Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: IHOP also does well in the Pacific region, its home territory. Patrons have rewarded the chain's efforts to add more entree items and update pancake offerings by giving IHOP high marks for food quality.

DENNY'S

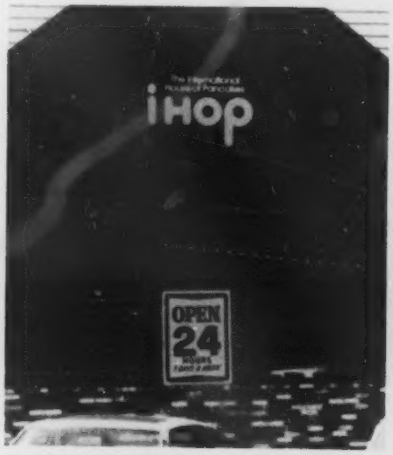
Headquarters: La Mirada, Calif.
1987 F&B sales: $1,251MM
Units (1/1/88): 1,221
Satisfaction index: .99
Where it does best ...
Region: Pacific
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Although patrons gave Denny's an overall "average" rating, the chain scored in the top five with customer awareness and patronage. Count on Denny's President Sam Maw to revitalize the chain with several programs.

HOWARD JOHNSON'S

Headquarters: S. Weymouth, Mass.
1987 F&B sales: $102MM**
Units (1/1/88): 141
Satisfaction index: .81
Where it does best ...
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Cleanliness

Highlights: Like Denny's, Howard Johnson's ranks in the top five in customer awareness. Franchise Associates Inc., the management and marketing company that owns and franchises the chain, plans to upgrade and expand.



IHOP's food gets high marks.

continued on page 80

*R&I estimate **company estimate

R&I CHOICE IN CHAINS

CASUAL DINING

The milieu makes the meal; customers say five of the eight casual dining chains stand out for their settings. On the other hand, price value scores are all over the board: Ground Round customers make it their first consideration, but Benihana won the segment despite the second lowest price value rating of the eight. This proves once more that patrons are looking for an experience. And they look for it often: At all these chains, except Bennigan's, the typical customer household eats out 12 to 19 times a week.

Friday's patrons like the atmosphere.

STUART ANDERSON'S

Headquarters: Menlo Park, Calif.
1987 F&B sales: $170MM*
Units (1/1/88): 85
Satisfaction index: 1.47
Where it does best . . .
Region: Pacific
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Atmosphere

Highlights: Stuart Anderson's is popular with parents of all ages, particularly those with children under 19. Customers who have eaten at Stuart Anderson's in the past year rate food quality almost as highly as the ambiance.

BENNIGAN'S

Headquarters: Dallas
1987 F&B sales: $449MM
Units (1/1/88): 212
Satisfaction index: 1.43
Where it does best . . .
Region: South Atlantic
Life stage: Older parent
Meal spending: $26 to $51 per week
Best attribute: Atmosphere

Highlights: Bennigan's customers earn a lot and eat out a lot: two-thirds have annual household incomes of $30,000 and up, and the same proportion eat more than seven meals a week away from home.

T.G.I. FRIDAY'S

Headquarters: Dallas
1987 F&B sales: $349.2MM
Units (1/1/88): 128
Satisfaction index: 1.39
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Atmosphere

Highlights: T.G.I. Friday's, one of the original singles' chains, now draws a crowd that is 40% parents. Households are usually headed by someone 30 to 39 years old. Customers like Friday's food as well as the atmosphere.

CHILI'S

Headquarters: Dallas
1987 F&B sales: $253MM**
Units (1/1/88): 146
Satisfaction index: 1.38
Where it does best . . .
Region: West South Central
Life stage: Young parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: About a quarter of Chili's patrons are two-income couples. That partly explains why four out of 10 say they are eating out more often now than last year, while seven in 10 ordered takeout food last month.

BENNIGAN'S TAVE

Bennigan's has affluent customers.

continued on page 85

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*R&I estimate **company estimate

R&I CHOICE IN CHAINS

continued from page 80

Patrons like Fuddruckers' food.

FUDDRUCKERS

Headquarters: San Antonio, Texas
1987 F&B sales: $130MM
Units (1/1/88): 113
Satisfaction index: 1.31
Where it does best . . .
Region: South Atlantic
Life stage: Young parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

FUDDRUCKERS HAMBURGERS

Highlights: Half of all Fuddruckers customers have children, and one-third have children under 19. The chain does best in the South and the Pacific regions. Two-thirds live in households with yearly incomes greater than $30,000.

HOULIHAN'S

Headquarters: Irvine, Calif.
1987 F&B sales: $148MM
Units (1/1/88): 54
Satisfaction index: 1.28
Where it does best . . .
Region: East North Central
Life stage: Older couple
Meal spending: $26 to $50 per week
Best attribute: Atmosphere

HOULIHAN'S

Highlights: Bridging the age gap, Houlihan's draws almost a third of its customers from older households, headed by someone over 50; one in four has an annual household income of more than $60,000.

THE GROUND ROUND

Headquarters: S. Weymouth, Mass.
1987 F&B sales: $181.5MM
Units (1/1/88): 191
Satisfaction index: 1.14
Where it does best . . .
Region: Middle Atlantic
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Good value

The Ground Round ®

Highlights: The average Ground Round customer comes from a household that earns $20,000 to $29,900 a year and eats 12 to 19 meals away from home a week. Four in 10 are parents; three in 10 have a child under 19.

The average Ground Round customer dines out 12 to 19 times a week.

ADVENTUROUS TYPES

About half the patrons from each casual dining chain eat out to try new places.

Chain	% who eat out to try new places
Houlihan's	55.9%
T.G.I. Friday's	51.2
Ground Round	50.8
Chili's	50.0
Fuddruckers	49.5

CUSTOMERS LIKE TIPPING

Fewer than one-fifth of the casual-dining patrons surveyed prefer an automatic service charge.

Chain	% of patrons in favor of service charge
Benihana	18.5%
Houlihan's	18.1
Stuart Anderson's	17.0
Ground Round	16.6
T.G.I. Friday's	16.2
Bennigan's	16.0
Chili's	15.4
Fuddruckers	13.3
Total sample	**16.7**

R&I CHOICE IN CHAINS

CHICKEN

This year's Choice in Chains ranking reinstates Grandy's, the chain with the lowest awareness factor, as the winner in customer satisfaction; Kentucky Fried Chicken, the chain everyone knows about, comes in second again, and '88 winner Chick-fil-A drops to third in the ranking. But the demographics of the segment itself seem unchanged from last year, or any of the years before: a mixed bag of parents and singles, middle and low incomes, young and old, all of whom like chicken as the fast-food alternative.

KENTUCKY FRIED CHICKEN

Headquarters: Louisville, Ky.
1987 F&B sales: $4,100MM
Units (1/1/88): 7,522
Satisfaction index: 1.16
Where it does best . . .
Region: West North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Quality of food was a close second for best attribute at KFC. One in three customers has an annual household income of less than $20,000; two in three say they are more concerned with nutrition this year than last.

CHICK-FIL-A

Headquarters: Atlanta
1987 F&B sales: $202.7MM
Units (1/1/88): 364
Satisfaction index: 1.15
Where it does best . . .
Region: South Atlantic
Life stage: Young couple
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Almost three-quarters of Chick-fil-A's total customer base lives in the South. The chain has its greatest success with households headed by someone under 30 and with a yearly income between $30,000 and $44,900.

POPEYES FAMOUS FRIED CHICKEN

Headquarters: Jefferson, La.
1987 F&B sales: $482.6MM
Units (1/1/88): 710
Satisfaction index: 1.06
Where it does best . . .
Region: South Atlantic
Life stage: Young couples
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: Popeyes is almost as popular with older parents as with young couples. Four out of 10 Popeyes patrons are eating more meals away from home than last year: Two-thirds have ordered takeout within the last month.

BOJANGLES'

Headquarters: Greenville, S.C.
1987 F&B sales: $55.6MM
Units (1/1/88): 71
Satisfaction index: 1.04
Where it does best . . .
Region: South Atlantic
Life stage: Middle parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: The average Bojangles' patron likes the quality of the food almost as much as its price, lives in a household of two with an annual income of less than $20,000, and eats out seven to 11 times a week.

CHURCH'S CHICKEN

Headquarters: San Antonio, Texas
1987 F&B sales: $533.9MM
Units (1/1/88): 1,422
Satisfaction index: 0.84
Where it does best . . .
Region: West South Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Church's draws a budget-conscious diner: One-fifth of its customers earn less than $12,500 a year, and half are parents. Two in three Church's patrons say they think about nutrition more this year.

POPEYES
CHICKEN & BISCUITS

Popeyes' diners praise its quality.

continued on page 92

R&I CHOICE IN CHAINS

SEAFOOD

The top three seafood chains draw 40% of their customers from households headed by someone 50 or older. These diners like fish as a healthful menu choice—68.5% say they care more about nutrition than they used to—and as a good value. Despite their attention to price, typical patrons at the top three seafood chains have a household income of $30,000 to $44,900 a year. Consumer awareness also varies widely. Winner Red Lobster is familiar to 83.1% of the public, but only 13.4% knows Skipper's.

LONG JOHN SILVER'S SEAFOOD SHOPPE
Catfish Dinner

Long John Silver's does well inland.

CAPTAIN D'S

Headquarters: Nashville, Tenn.
1987 F&B sales: $342.5MM
Units (1/1/88): 578
Satisfaction index: 1.15
Where it does best . . .
Region: South Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: More than 40% of Captain D's diners come from households headed by someone 50 or older, and about one-third live in two-person households. Two-thirds are more concerned with nutrition now than last year.

LONG JOHN SILVER'S

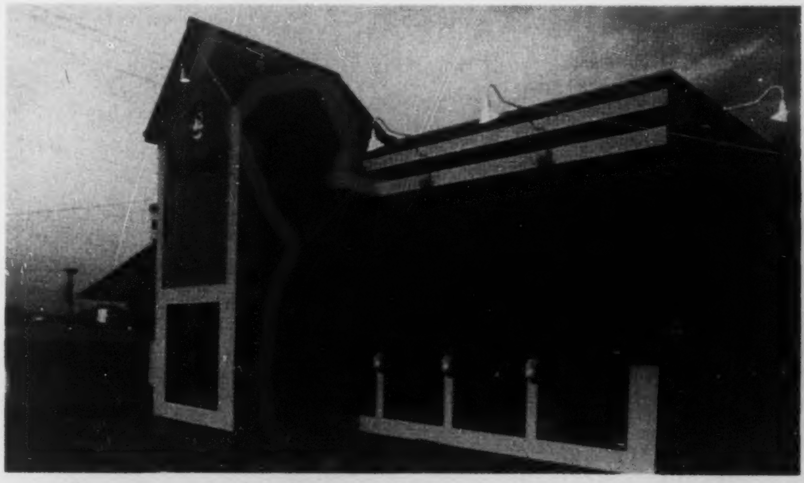
Headquarters: Lexington, Ky.
1987 F&B sales: $746.9MM
Units (1/1/88): 1,451
Satisfaction index: 1.15
Where it does best . . .
Region: South Atlantic
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: In addition to the South Atlantic, the East North Central region is a big market for Long John Silver's. Scores are almost as high for value as for food quality. The chain does well among older working and retired couples.

SKIPPER'S

Headquarters: Bellevue, Wash.
1987 F&B sales: $95MM
Units (1/1/88): 180
Satisfaction index: 0.87
Where it does best . . .
Region: Pacific
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Skipper's does best with households headed by someone 30 to 39 years old and with customers who dine out four to six times a week. Six in 10 Skipper's customers bought food for takeout last month.



Like most seafood chains, Captain D's appeals to older customers.

R&I CHOICE IN CHAINS

STEAK

Steakhouses traditionally do best among older diners of some means. But some on this year's list are successfully drawing young parents who want a varied, moderately priced meal served in an informal setting. Other than the return of Steak & Ale, the only change from last year's roster is Mr. Steak's rise to third place. Overall, these diners want value, but not at the cost of quality. And they think about health: 69.4% of steakhouse patrons say they consider a food's nutrition more often now than they did a year ago.

WESTERN SIZZLIN'

Headquarters: Augusta, Ga.
1987 F&B sales: $466.2MM
Units (1/1/88): 585
Satisfaction index: 1.40
Where it does best . . .
Region: East South Central
Life stage: Young couple
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Parents of all age groups make up more than 40% of Western Sizzlin's patrons. About 75% have children in their teens or younger. Average annual household income for customers is $30,000 to $44,900.

MR. STEAK

Headquarters: Littleton, Colo.
1987 F&B sales: $95MM
Units (1/1/88): 146
Satisfaction index: 1.37
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Upper age brackets are important to Mr. Steak: Older working and older retired customers make up about 25% of the customer base. The chain draws both frequent and occasional diners-out.

GOLDEN CORRAL

Headquarters: Raleigh, N.C.
1987 F&B sales: $397MM
Units (1/1/88): 519
Satisfaction index: 1.36
Where it does best . . .
Region: South Atlantic
Life stage: Older working couple
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Even though Golden Corral is popular with young parents, most customer households are headed by someone 50 to 64 years old. About 70% of its diners care more about nutrition today than last year.

SIZZLER

Headquarters: Los Angeles
1987 F&B sales: $754.3MM**
Units (1/1/88): 574
Satisfaction index: 1.32
Where it does best . . .
Region: Pacific
Life stage: Older parent
Meal spending: $26 to $50 per week
Best attribute: Quality of food

Highlights: Patrons like Sizzler's value almost as much as its food. More than four in 10 customers are parents, and more than 30% have children under 19; singles make up about 22% of the base. Sizzler is strong in the South Atlantic region.

BONANZA

Headquarters: Dallas
1987 F&B sales: $529.5MM
Units (1/1/88): 605
Satisfaction index: 1.17
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Bonanza is equally attractive to diners from low- and middle-income groups. Customer households are most likely to be headed by someone 50 to 64 years old and to dine out seven to 11 times weekly.

PONDEROSA

Headquarters: Dayton, Ohio
1987 F&B sales: $730.4MM
Units (1/1/88): 693
Satisfaction index: 1.10
Where it does best . . .
Region: East North Central
Life stage: Older parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Four out of 10 Ponderosa customers are 50 years old or more. About 38% say they are eating out more this year: 16% are dining out less. The chain is most popular in households making less than $12,500 a year.

continued on page 102

*R&I estimate **company estimate

R&I CHOICE IN CHAINS

MEXICAN

The chains listed in this category (new to this year's Choice in Chains survey) range from quick- to full-service, limited-menu to broad. But they share a predominantly young customer base: One quarter of their patrons come from households headed by someone under 30. In each instance, customers ranked food quality the No. 2 point of difference—and in the case of El Torito, No. 1. That fact indicates that most customers who opt for Mexican food are consciously seeking a special taste, not merely convenience.

Taco Bell is strong in the Midwest.

CHI-CHI'S

Headquarters: Louisville, Ky.
1987 F&B sales: $270MM
Units (1/1/88): 201
Satisfaction index: 1.13
Where it does best . . .
Region: East North Central
Life stage: Young couple
Meal spending: $26 to $50 per week
Best attribute: Atmosphere

Highlights: Two-thirds of Chi-Chi's patrons live in households earning more than $30,000 annually, and almost 60% of them are from a one- or two-person home. Two out of three have ordered takeout in the last month.

TACO BELL

Headquarters: Irvine, Calif.
1987 F&B sales: $1,521.6MM*
Units (1/1/88): 2,689
Satisfaction index: 1.07
Where it does best . . .
Region: East North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: More than half of Taco Bell's diners come from households of one or two; about half of those households spend $25 or less per week on eating out. Two-thirds of its patrons bought takeout last month.

DEL TACO

Headquarters: Dallas
1987 F&B sales: $110MM
Units (1/1/88): 200
Satisfaction index: 0.99
Where it does best . . .
Region: Pacific
Life stage: Young couple
Meal spending: $10 to $25 per week
Best attribute: Good value

Highlights: Parents of all ages make up half of Del Taco's customers; almost 40% of patrons have at least one child under 19. Food quality also gets high marks. Under-30s head one in three customer households that patronize Del Taco.

At El Torito (above) and Chi-Chi's, two in five are eating out more.

continued on page 106

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*R&I estimate **company estimate

R&I CHOICE IN CHAINS

PIZZA

Last year's winner, Pizza Hut, still leads the pack, and Godfather's was able to hold on to the No. 2 spot. Notably, the satisfaction index for each chain is lower than last year, in some cases substantially. The average score last year was 1.11; this year's average is 1.01, with all but the top and bottom entrants bunched together within one-tenth of an index point. As the major chains copy each other's menus and marketing strategies, are customers losing sight of the points of difference among them?

GODFATHER'S

Headquarters: Omaha, Neb.
1987 F&B sales: $261MM
Units (1/1/88): 583
Satisfaction index: 1.07
Where it does best . . .
Region: West North Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Food quality

Highlights: Parents make up half of Godfather's customer base; almost 40% of all patrons have at least one child younger than 19 years old. The average Godfather's household eats seven to 11 meals away from home each week.

DOMINO'S

Headquarters: Ann Arbor, Mich.
1987 F&B sales: $1,980MM
Units (1/1/88): 4,279
Satisfaction index: 1.04
Where it does best . . .
Region: West South Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Service

Highlights: Domino's exerts its strongest appeal on parents: More than half its customers have children. One-quarter are married and working full-time, and more than one-third are eating out more now than a year ago.

PIZZA INN

Headquarters: Dallas
1987 F&B sales: $300MM
Units (1/1/88): 786
Satisfaction index: 1.01
Where it does best . . .
Region: West South Central
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: One-third of all Pizza Inn customer households are headed by someone under 30. Customers give Pizza Inn high marks for good value. Pizza Inn also has strong appeal in the South Atlantic region.

LITTLE CAESAR

Headquarters: Farmington, Mich.
1987 F&B sales: $725MM
Units (1/1/88): 1,820
Satisfaction index: 0.96
Where it does best . . .
Region: East North Central
Life stage: Young parent
Meal spending: $26 to $50 per week
Best attribute: Good value

Highlights: Families are big at Little Caesar: Almost half the customers have a child under 19, and one-third of all customers come from households of four or more. About 72% say they bought takeout food last month.

SHAKEY'S

Headquarters: Irving, Texas
1987 F&B sales: $145.4MM
Units (1/1/88): 364
Satisfaction index: 0.76
Where it does best . . .
Region: Pacific
Life stage: Young parent
Meal spending: $10 to $25 per week
Best attribute: Quality of food

Highlights: The household of an average Shakey's customer earns between $30,000 and $44,900 annually and is headed by someone 30 to 39 years old. The chain's value is almost as appealing to patrons as its food quality. R&I

Shakey's food quality scores high.

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone 415/981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjukuku, Tokyo 160, Japan. Phone: 03/366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
Adamation (p.158)	56
American Dairy Association (p.88-89,99)	28
Atkins Technical, Inc. (p.159)	59
Atlantic Cheinco Corp. (p.161)	66
Australian Meat And Livestock Corp. (p.148,149)	51,52
Bally Engineered Structures, Inc. (p.154)	53
Beef Industry Council (p.95-98)	75
Bil Mar Foods, Inc. (p.87)	27
Blue Diamond Growers (p.126-127)	41
Bridgford Foods (p.65)	21
Bunge Edible Oil Corp. (p.21,75)	7,24
Calavo Growers of California (p.22-23,24-25)	8,9
Cambro (p.112-113)	35,36
Carnation Co., Foodservice (p.141)	46
Clear Springs Trout (p.100-101)	31
COEX '89 (p.86-B)	
Continental Coffee Products (p.IBC)	72
Cryovac Div., W.R. Grace & Co. (p.131)	43
Durkee Foodservice Group (p.IFC)	1
Durkee-French Foods, Inc. (p.121-123)	39
Educational Foundation of National Restaurant Assn. (p.137)	13
Equal Low Calorie Sweetner (p.54-55)	18
Farmland Foods, Inc. (p.139)	45
Fishery Products, Inc. (p.90-91)	29
Florida Department of Citrus (p.142-143)	
Harris/3M (p.156-157)	55
Hatco Corp. (p.128)	42
Heinz Co., H. J. (p.14-15,16-17,18-19)	4,5,6
Hormel & Co., George A. (p.72-73)	23
Hunt-Wesson Foodservice Div. (p.7-10)	
Iceland Seafood Corp. (p.57-60,58-A-58-B)	19
International Cold Storage Co., Inc. (p.159)	60
John Morrell (p.110)	34
Karp & Sons, L. (p.4)	3
Katchall Industries, Inc. (p.160)	64
Kellogg Company (p.145)	
Lancaster Colony Commercial Products (p.160)	63
Le Gout Foods, Div. Fearn International, Inc. (p.103)	32
Libbey Glass Foodservice, Libbey Glass Div. (p.29)	10
McGlaughlin Oil (p.161)	67
Micros Systems, Inc. (p.125)	40
Minor Corp., L.J. (p.13)	
Monteray Wine Festival (p.158)	57
National Coffee Assn of U.S.A. Inc. (p.76-79)	25,26
Nemco (p.162)	69
Ore-Ida Foods, Inc. (p.31-33,144-A-144-B,145)	11,12,48
Pierce Foods Corp. (p.81-84)	50
Pittsburgh Corning (p.162)	71
Pork Industry Group (p.86-A)	74
Precision Industries, Inc (p.158)	58
Prepared Foods (p.3)	2
Procter & Gamble, Whirl (p.BC)	73
Rice Council of America (p.67-70)	22
Ridge Tool Co. (p.162)	70
Sequentia, Inc. (p.161)	65
Serv-A-Portion (p.42-43)	17
Smucker Co., The J.M. (p.147)	49
Sugar Foods Corp. (p.35,37)	14
Sunkist Growers, Inc. (p.135-136)	44
Tampa Maid Sea Prods., Inc. (p.93)	30
Tomlinson Industries (p.160)	62
Treasure Isle, Inc. (p.104-105)	33

continued on page 171

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President/CEO; Robert L. Krakoff, Executive Vice President; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

Feb. 20, 27, 1989 Not Filmed

C1850-3
3/16/89

R&I EXCLUSIVE: AMERICA'S 100 BIGGEST INDEPENDENTS...46

Arby's tests three new sandwiches......89

Are you capturing your share of the mature market?...80

R&I Report: Mergers, labor issues, benefits.............20

Food: Reap a harvest from bountiful use of fruit.....152

MARCH 6, 1989

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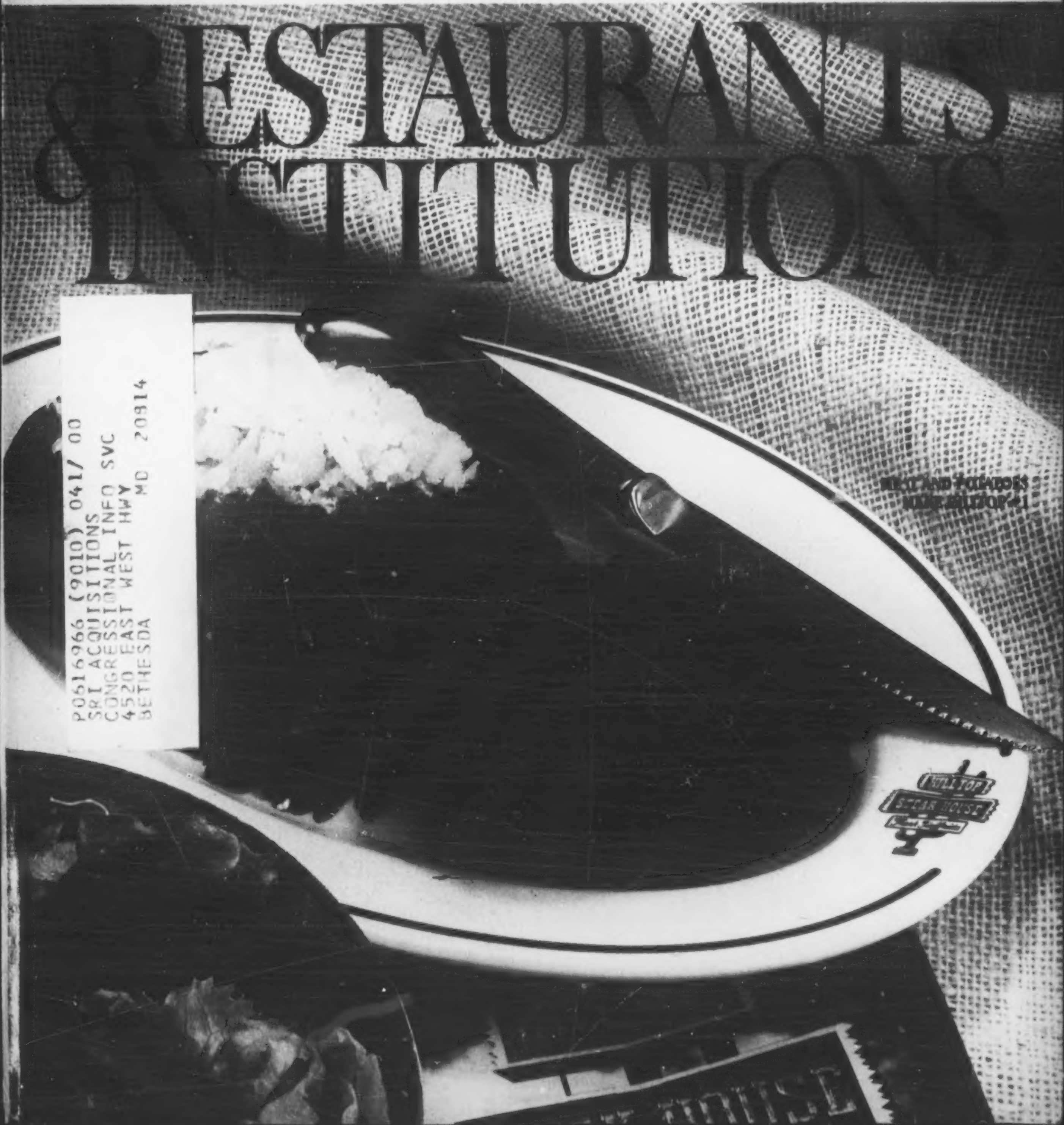
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CONTENTS

VOL. 99 NO. 7

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

What does it take to be among the 100 largest? 11
Operations in this issue 11

VIEWPOINT

A man with wisdom to share 14

R&I REPORT

Business: Mergers bring mixed blessings to executives 20
Industry Issues: Employee benefit plans taken to tax 26
Labor: NRA panel examines labor challenges 28
Economic Experts: Regional sales surge in 1988 34

R&I FORUM

Reader's Opinion: Market your company to compete for quality labor 36

R&I SCENE

People, Places & Promos 39
Personal Glimpse: Barbara Smith 42

R&I EXCLUSIVE

Cover Story: *R&I*'s top 100 independents 46

R&I FOCUS

Mature Market: Restaurateurs adapt to aging population 80

MENUS

Menu Concepts: Häagen-Dazs features fruit and yogurt for lunch 89
Menu Census: Onion rings of delight 94
Menu Design: Zingerman's customers read all about foods 96
Menu Design: ScoreCard Restaurant calls plays with bold menu 98
Menu Promotions: Samoset Resort banks on local lobster reputation 100
Menu Promotions: Grandy's meal for kids helps charity; Rax spreads cheer with ornaments and sweepstakes 102

INSTITUTIONS

Adult Day Care: Caring for the elderly in America 105
Hospitals: Cardiac patients warm to heart-healthy program 117

DESIGN

Trends Outlook: Forward looks 134

FOOD

Menu Trends: Fruitful ideas 152
Food Facts: How to prepare uncommon fruits for exotic menus 164

MARKETPLACE

Menu Merchandising: Cash in on canned food convenience 172
Canned food products 180
Buyers Mart: Product information 185

CLASSIFIED ADS

Buying, selling, changing jobs 212

ACTION EXPRESS

For more information 220

ADVERTISERS INDEX

Where to find ads in this issue 220

READER SERVICE CARD

To send for more information 221

R&I EXCLUSIVE

COVER STORY

R&I's TOP 100 INDEPENDENTS

AMERICA'S HIGHEST-GROSSING RESTAURANTS

By Monica Kass and Lisa Bertagnoli

The same grit that kept the Berghoff family smiling for this photograph despite subzero Chicago temperatures brought the nation's most resilient independent restaurants through a tough year to a place in *R&I*'s Top 100. Labor shortages, inflated food costs and intense competition could not prevent this hardworking group from generating $821 million in food and beverage sales in 1988 (an aggregate of reported sales from each operator's largest unit). That's an impressive 8½% increase over 1987. Higher sales totals overall caused the Top 100 basement to rise $300,000 over last year's $4.5 million cutoff point.

Now in its seventh consecutive year, *R&I*'s Top 100 ranks restaurants on the basis of food and beverage sales; revenues from gift shops, cover charges and room rentals are not included.

Each restaurant has been open at least a year and is operated by a restaurateur who owns no more than 10 restaurants. In the case of multiple restaurant ownership, operators were asked to list figures for their largest unit only.

Restaurants located in areas with built-in customer traffic—theme parks such as EPCOT, casinos, airports and large hotels—were disqualified from the ranking. Restaurants that lease space in hotels—such as Le Cirque in New York—were not.

Because much of the information needed for this ranking is not publicly available, *R&I* screened more than 700 restaurants to compose as comprehensive a ranking as possible. Each restaurateur interviewed provided a sales figure or a sales estimate. In the few instances where figures were not available, *R&I* estimated sales (as indicated by a single asterisk). Sales totals in the ranking are rounded to the nearest thousandth. In the case of a tie, the restaurant that served the greatest number of people is listed first.

Many of the restaurants in 1989's Top 100 have occupied berths in the ranking since its inception. Frank Giuffrida's Hilltop Steak House in Saugus, Mass., has topped the list every year. But 13 of the 100 are new to the list and, continuing a tradition, are as widely divergent as The Waterfront in Covington, Ky., Bice in New York and Carson City Nugget in Carson City, Nev. This is a tribute to them all.

THE TOP 100

Rank	'88 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
1	1	**The Hilltop Steak House** Saugus, Mass. Frank Giuffrida & Jack Swansburg	$31.500MM	1951	1,300	2,380,000
2	2	**Tavern on the Green** New York Warner LeRoy	25.900	1976	1,197	625,000
3	6	**Smith & Wollensky** New York Alan Stillman	16.500	1977	420	370,000
4	4	**Phillips Harborplace** Baltimore Brice, Shirley, Steven & Olivia Phillips & Paul Wall	14.960	1982	700	540,000
5	5	**Anthony's Pier 4** Boston Anthony Athanas & Family	14.800*	1963	650	650,000*
6	7	**The Manor** West Orange, N.J. Harry Knowles & Family	14.500**	1957	1,500	425,000
7	—	**Legal Sea Foods** Boston (Park Plaza) Dan, Mary & John Hountalas	14.200	1980	292	585,000**
8	8	**The Four Seasons** New York Paul Kovi & Tom Margittai	14.200*	1959	400	188,000*
9	17	**The Kapok Tree** Clearwater, Fla. Aaron R. Fodiman & Murray Steinfeld	12.726	1957	1,750	1,000,480
10	9	**Zehnders of Frankenmuth** Frankenmuth, Mich. Edwin L. Zehnder	12.555	1856	1,300	1,000,010
11	12	**Scoma's Restaurant** San Francisco Al Scoma	12.121	1965	300	528,394
12	10	**Spenger's Fish Grotto** Berkeley, Calif. Frank L. Spenger & Frank Spenger Jr.	12.000	1890	700	910,000
13	3	**The '21' Club** New York Knoll Int'l Holdings (Marshall Cogan)	12.000	1923	650	200,000
14	—	**The Waterfront** Covington, Ky. J. Ruby, P. Rose, B. Esiason & C. Collinsworth	11.028	1986	290	220,000
15	11	**Old San Francisco Steakhouse** Dallas Henry Reed & Partners	11.000**	1974	750	504,000
16	14	**Shooters on the Water** Fort Lauderdale, Fla. R. Moreau, A. Lahaye, M. Burge & R. Maranda	10.850	1982	340	620,500
17	15	**The Water Club** New York Michael D. O'Keeffe	10.700*	1982	250	150,000
18	16	**Old Original Bookbinders** Philadelphia John & Albert Taxin	10.500**	1865	800	264,000
19	18	**Le Cirque** New York Sirio Maccioni	10.000**	1974	125	145,000
20	36	**Bob Chinn's Crab House** Wheeling, Ill. Robert & Marilyn Chinn	9.595	1982	630	515,000
21	—	**The Cheesecake Factory** Marina del Rey, Calif. David Overton	9.440	1983	250	790,000
22	19	**Jimmy's Harborside** Boston Charles J. Doulos	9.400	1924	460	345,000
23	23	**Joe's Stone Crab** Miami Beach, Fla. JoAnn Sawitz-Bass	9.398	1913	380	330,000
24	13	**The Russian Tea Room** New York Faith Stewart-Gordon	9.340	1926	325	300,000
25	20	**The Hard Rock Cafe** New York Mecca Plc.	9.320	1984	250	711,228

* *R&I* estimate ** owner estimate © *Restaurants & Institutions*, a Cahners Publication

RESTAURANTS & INSTITUTIONS

Rank	'88 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
26	31	**Montgomery Inn** Cincinnati Ted Gregory Family	$9.200MM	1951	480	900,000
27	29	**The Berghoff** Chicago Herman Berghoff & Family	9.000	1898	700	900,000
28	26	**Gallagher's Steak House** New York Jerome Brody	9.000	1937	240	260,000
29	24	**Ditka's** Chicago M. Ditka, J. Vainisi, G. Shlaes & E. Pontillo	9.000	1986	140	182,000
30	45	**The Cliff House** San Francisco Dan, Mary & John Hountalas	9.000**	1850	301	350,000*
31	22	**Haussner's Restaurant** Baltimore The Haussner Family	8.900**	1926	880	600,000*
32	33	**The Hard Rock Cafe** Chicago Peter Morton	8.820	1986	250	727,000
33	25	**Yesterday's** Fort Lauderdale, Fla. Peter Goldhahn	8.600	1975	650	350,000*
34	37	**The Lobster House** Cape May, N.J. Wallace Laudeman	8.263	1940	480	554,400
35	34	**Space Needle Restaurant** Seattle The Howard S. Wright Family	8.205	1962	220	391,200
36	27	**The Rascal House** Miami Beach, Fla. Norman & Steve Stamler, Arthur Goodman	8.200	1954	425	1,724,250
37	43	**Old Ebbitt Grill** Washington, D.C. Stuart Davidson & John Laytham	8.200	1856	425	546,000
38	28	**Mai-Kai** Fort Lauderdale, Fla. Robert F. Thornton	8.200	1956	475	225,000
39	—	**Bice** New York Da Bice U.S.A. Inc. (Roberto Ruggeri)	8.100	1987	180	219,978
40	32	**Frankenmuth Bavarian Inn** Frankenmuth, Mich. William Zehnder Jr. & Family	8.075	1888	1,200	815,000
41	35	**Ralph & Kacoo's** New Orleans Piccadilly Restaurants Inc.	7.973	1983	790	444,600
42	30	**Columbia Restaurant** Tampa, Fla. Cesar Gonzmart & Family	7.900	1905	1,660	600,000**
43	39	**The Commissary** Philadelphia Steven Poses	7.500**	1977	100	720,000
44	40	**Longhi's** Lahaina, Hawaii Robert & Peter Longhi	7.200	1976	225	400,000
45	44	**The Union Oyster House** Boston Joseph, Mary Ann & Mary Milano	7.150	1826	620	555,000
46	—	**Carson City Nugget** Carson City, Nev. Hop & Howard Adams	6.953	1955	753	1,257,845
47	50	**Rustic Inn Crabhouse** Fort Lauderdale, Fla. Wayne McDonald, Henry J. & Wayne Oreal	6.931	1956	700	381,000
48	57	**Joe Muer's Restaurant** Detroit Joe Muer	6.920	1929	400	2,500,000
49	46	**Mike Fink** Covington, Ky. Benjamin L. Bernstein	6.910	1968	410	284,000
50	41	**Gibby's Steaks and Seafood** Fort Lauderdale, Fla. Donald & Steven Hersh	6.850	1978	600	400,000

* *R&I* estimate ** owner estimate © *Restaurants & Institutions*, a Cahners Publication

THE TOP 100

Rank	'88 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
51	38	**Sardi's** New York S. Lichtenstein, I. Bloch, H. Klaris & L. Lowenthal	$6.819MM	1921	350	300,000
52	64	**Barrett's on Boston Harbor** Boston Francis Barrett	6.635	1985	225	240,500
53	47	**John Dominis Restaurant** Honolulu D.G. Anderson	6.600*	1979	370	142,000*
54	52	**The Pacific Dining Car** Los Angeles Wesley A. Idol II	6.541	1921	185	259,150
55	53	**Kowloon** Saugus, Mass. William & Madeline Wong	6.540	1960	1,200	1,095,000*
56	54	**Twin Oaks** Cranston, R.I. William DeAngelus Jr.	6.500	1933	550	558,150
57	56	**Stars** San Francisco Jeremiah Tower	6.500*	1984	150	175,000**
58	48	**The Angus Barn** Raleigh, N.C. Alice & Van Eure	6.496	1960	550	223,614
59	49	**15th Street Fisheries** Fort Lauderdale, Fla. Michael Hurst	6.400	1979	320	112,000
60	42	**Leona's** Chicago (Sheffield St.) The Toia Family	6.200	1950	400	920,000
61	—	**Arnaud's** New Orleans Hi-Arc Inc. (Archie Casbarian)	6.200**	1918	900	169,000**
62	66	**O'Shea's Wharf** Marco Island, Fla. Thomas & Delores Shea	6.152	1976	550	357,491
63	65	**Harris Ranch** Coalinga, Calif. John C. Harris	6.114	1977	535	756,023
64	51	**The Omega Pancake House** Niles, Ill. George Stavropoulos & Partners	6.100	1984	400	1,456,000
65	55	**Bern's Steak House** Tampa, Fla. Bern & Gert Laxer	6.000	1956	320	200,000
66	61	**The Chateau Restaurant** Waltham, Mass. Louis J. Nocera & Marianne Skerry	5.975	1938	800	728,000
67	58	**Junior's Restaurant** West Los Angeles, Calif. Marvin & Bette Saul	5.950	1959	238	884,000
68	60	**Tangier Restaurant** Akron, Ohio Edward A. George	5.852	1955	1,800	200,000
69	—	**Ben Bensen's Steakhouse** New York Ben Bensen	5.850	1982	250	163,800
70	76	**Carson's, The Place for Ribs** Chicago (Wells St.) The Carson Family	5.800	1978	170	416,000
71	72	**Tobacco Company Restaurant** Richmond, Va. Dr. Jerald D. Cable	5.610	1977	220	260,000
72	67	**The Ritz** Newport Beach, Calif. Hans & Charlene Prager	5.600*	1977	250	150,000
73	59	**Shorebird Beach Broiler** Honolulu John Pederson Ltd. (John McManus)	5.529	1978	300	291,200
74	85	**Chez Joseph** Agawam, Mass. Allan Skole	5.522	1969	1,800	174,000
75	—	**Palio** New York, N.Y. Tony May	5.500	1986	150	93,600

* *R&I* estimate ** owner estimate © *Restaurants & Institutions*, a Cahners Publication

RESTAURANTS & INSTITUTIONS

Rank	'88 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
76	71	**Knickers** Des Plaines, Ill. Nicholas Mitchell	$5.465MM	1982	1,250	267,384
77	80	**Spago** West Hollywood, Calif. Wolfgang Puck & Barbara Lazaroff	5.400	1982	160	130,000
78	63	**Scott's Seafood Grill & Bar** Oakland, Calif. Raymond Gallagher	5.350	1984	400	220,000
79	—	**Bellini** New York Arrigo Cipriani	5.300	1987	85	145,600
80	73	**Bishop's Restaurant** Lawrence, Mass. Victoria, Charles, Abraham & Joseph Bashara	5.286	1949	530	300,000
81	68	**Clifton's Cafeteria** Los Angeles Donald H. Clinton & Jean C. Roeschlaub	5.259	1935	750	1,436,674
82	69	**Pals Cabin** West Orange, N.J. W. Donald Horn & Family	5.250	1932	400	364,000
83	90	**Sea Watch Restaurant** Fort Lauderdale, Fla. James Edmondson	5.250	1974	240	286,212
84	—	**The Ginger Man** New York Michael & Patrick O'Neal	5.237	1963	250	200,000
85	74	**Café des Artistes** New York George Lang	5.220	1915	107	130,000
86	—	**Champps** Richfield, Minn. Dean Vlahos	5.212	1986	250	676,000
87	78	**The Melrose Diner** Philadelphia Richard W. & Richard Kubach Jr.	5.200	1935	106	1,092,000
88	86	**Christo's Restaurant** Brockton, Mass. Chris G. Tsaganis	5.200	1964	550	612,000
89	—	**Hampshire House** Boston Thomas Kershaw	5.114	1942	500	275,600
90	95	**Trail Dust Steak House** Dallas The Parker Family & Roger Pock	5.108	1977	600	354,881
91	87	**F. McLintocks** Shell Beach, Calif. Bruce Breault & Tunny Ortali	5.053	1973	350	340,911
92	83	**Gotham Bar & Grill** New York J. Kretchmer, J. Bliss, Rick & Rob Rathe	5.020	1984	175	105,500
93	79	**The Rattlesnake Club** Denver Michael McCarty & Jimmy Schmidt	5.000	1985	500	180,000
94	62	**The Quilted Giraffe** New York Barry & Susan Wine	5.000**	1975	85	45,000**
95	91	**Le Bernardin** New York Gilbert & Maguy LeCoze	5.000*	1986	120	93,000*
96	93	**Pittypat's Porch** Atlanta Tony & Stanya Anthony	4.980	1967	300	205,000
97	94	**Seafood Shack Restaurant** Cortez, Fla. Ham Jones	4.853	1972	700	360,000
98	92	**Maxwell's of San Francisco** San Francisco Horn & Hardart	4.808	1981	600	200,000*
99	—	**Capt. Anderson's Restaurant** Panama City Beach, Fla., Jimmy & Johnny Patronis	4.836	1960	570	265,000
100	—	**Buckhead Diner** Atlanta Pano Karatossos & Gerry Klaskala	4.800	1987	176	90,500

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continued from page 50

continued from page 51

MEETING THE CHALLENGES

Independents, the most beleaguered group of full-service operators, face another year of fighting to keep costs down.

Labor availability, health-care costs, tougher competition and maintaining quality head the list of challenges independents face this year. Solutions are not easy, but here's how some of the country's successful restaurateurs plan to stay healthy in 1989 and beyond.

Labor shortages

Finding competent labor remains the most pressing problem among independents. Most Top 100 operators have implemented plans to make staffing easier. Joseph Milano, owner of Boston's Union Oyster House, asks his staff to pass word of job openings to friends and relatives: 50% of the people he has hired in the past six months were hired through the grapevine. Scott Carney, general manager of Gotham Bar & Grill, New York, says Chef Alfred Portale finds kitchen help through his network of chef friends. Portale and Carney, however, have been unable to find a qualified pastry chef, even for a starting salary of $60,000 a year.

"The higher minimum wage has added 30% to my labor costs. . . . It's becoming difficult to stay in the restaurant business."

—Marvin Saul, Junior's, Los Angeles

Aaron Fodiman, chef/proprietor of The Kapok Tree Restaurant, Clearwater, Fla., hires everyone who fills out an employment application. New employees who prove incompetent are fired, and usually find work at another restaurant in town, Fodiman adds.

Operators also are taking pains to keep employees happy. Two years ago Nick Rillo, owner of Casa Rillo, Camp Hill, Pa., started an employee assistance program for staff and managers with personal problems. So far, about 15% of Casa Rillo employees have used the program, employees who might have left the restaurant had the program not been available, Rillo says. He adds that he is careful not to present the program as an in-house drug enforcement agency.

Attempts to offer better benefits, however, sometimes backfire in the face of legislation. For instance, Section 89 of the new tax code, which took effect Jan. 1, states that employers may not discriminate against lower-level employees when offering health-care benefits. If the employer does not comply, employees who do receive enhanced health-care benefits will be forced to pay taxes on them.

The Internal Revenue Service, however, has yet to issue guidelines for compliance. Therefore employers such as Gotham Bar & Grill, which offer different levels of health-care coverage, have no way of judging whether programs are lawful.

Officials from the National Restaurant Association are careful to point out that Section 89 is a tax issue, not a benefits issue. According to Elaine Graham, senior legislative representative for the association, a bill to repeal Section 89 was scheduled to be introduced in the House Jan. 19.

Labor costs

While most operators have accepted the shrinking labor pool as part of doing business and are taking steps to

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"Business people are just beginning to feel the effect of 80% deductibility. Their cutbacks will become more obvious."

—Tom Kershaw, Hampshire House, Boston

solve the problem, the threat of a higher federal minimum wage leaves operators feeling somewhat helpless.

Restaurateurs in California—where the minimum wage is now $4.25 an hour—say the 90-cent increase is having a formidable effect on business. Marvin Saul, owner of Junior's Restaurant, Los Angeles, says labor costs as a percentage of sales have jumped from 38% to 42% since November, when restaurants started paying the higher wage, retroactive to July 1. (They had been waiting for a decision from the California Supreme Court on a tip-credit amendment to the bill. The court declared the amendment unlawful, saying the state could not sanction two separate wage systems.)

Since then, Saul says he has cut down on staff, cut down on hours and raised menu prices 8% to maintain sufficient profit margins. This year, he will take a 5% menu price increase, but not without worrying about it. "I can't price myself out of business," he says.

Saul and other independent operators oppose a higher federal minimum wage on the grounds that it will cause artificial inflation, even though proponents of higher minimum wage say that the disposable income created by higher wages will prevent inflation. Still others take the inevitable in stride. "Minimum wage hasn't gone up in such a long time that I can't see how a hike can be avoided," says Frank D'Angelo, manager of Bob Chinn's Crab House, Wheeling, Ill.

The new FICA tax on tips also is taking a toll on profits, operators report. Tom Kershaw, owner of Boston's Hampshire House restaurant, says he paid $47,000 more in FICA tax during 1988 than he did the year prior. Milano of the Union Oyster House says he paid $70,000 to $80,000 in FICA tax, and likens the tax to a surcharge on a restaurant's payroll.

But what operators deem most frustrating is the double standard posed by FICA tax on tips and higher minimum wage. FICA tax, in essence, treats tips as wages, subject to the same taxes as salaried employees who work. Minimum-wage legislation, however, does not consider tips as wages, unthinkable to restaurateurs employing waiters who earn $40,000 a year.

Some operators believe the government, with FICA tax on tips and only a 40% credit for minumum wage, is forcing the industry to adopt a service charge to replace free-will tipping. Rillo, for one, prefers a service charge because it gives employers more control over servers' incomes. Fodiman would like to write service charges into the menu prices, and discard all forms of tipping. But all interviewed for this story say they are reluctant to ask customers to give up the feeling of control that comes with tipping.

Food costs, menu prices

The greater percentage of menu-price increases, operators say, stem from higher labor costs. However, rising food costs also will have a hand in price increases.

Saul says because of the drought-related boost in flour, sugar, soybean and oat prices, Junior's will raise menu prices 5% this year. Carney reports that tuna and swordfish prices are rising quickly, but the restaurant will not use less-expensive alternatives. "We're trying to offer good food at an affordable price," he says. This year, Gotham Bar will raise prices 4% to 7% if necessary.

Ted Gregory, owner of Cincinnati's Montgomery Inn, says volume at the restaurant is high enough for him to do what chain restaurants do: buy in quantity. Last year, Gregory bought 1.5 million pounds of ribs at a good price and, for 25 cents per pound, arranged to store it in off-premise refrigeration. Although the restaurant uses few vegetables, Gregory says he winces at the occasional boosts in lettuce prices, but doesn't raise salad prices.

Gregory takes a similar attitude toward employee theft, another uncontrollable factor that boosts food costs. Despite precautions such as an alarm on the back door and closed-circuit cameras in the kitchen, employees con-

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"The last six months of 1988 softened up a bit—our covers were slightly down from 1987. I'm getting feedback from vendors that business is on the soft side."

—Joseph Milano, Union Oyster House, Boston

tinue to steal, he says. "It's just something you live with." Sander Hollander, owner of Pirate's House in Savannah, Ga., estimates employees steal or waste about 1% of the food he buys each year.

"I prefer a service charge—we'll have more control over a server's compensation. And the government is pushing toward a service charge, what with tip tax and all."

—Nick Rillo, Casa Rillo, Camp Hill, Pa.

Consumer spending

Operators in most parts of the country do not report any softening in consumer spending. "This was a good year for us," says Carney. In Boston, Milano says he senses a feeling of caution among customers: Covers during the last half of 1988 were slightly down from the last six months of 1987. Florida remains a good restaurant market, says Fodiman, although people tend to try new places more often than they visit established restaurants. He says occasional dinner specials keep customers coming in.

Although covers and check averages remain stable, declining sales of high-margin beverage alcohol force operators to keep tighter rein on food costs. Kershaw says that in 1984, beverage alcohol accounted for 56.1% of sales. Last year, alcohol accounted for 51% of sales. In dollar figures, alcohol sales were $1.32 million in 1984 and $1.53 million in 1988, an increase of just $21,000 over four years. (The figures apply only to Hampshire House, not the downstairs pub.) Wine sales, however, are rising, Kershaw says. To take advantage of customer interest in wine, he has started a wine society and holds tastings at the restaurant.

"Hiring is becoming brutal. We work with the state department of labor to fill some jobs, but we can't find a pastry chef for $60,000 a year."

—Scott Carney, Gotham Bar & Grill, New York

The full effect of 80% business-meal deductibility is just beginning to be felt, according to owners of fine-dining restaurants. Carney and other independents question the logic behind the law: "People do business in restaurants—it spurs the economy," Carney says. Kershaw agrees. "The government is saying to business people: 'This way of doing business is no longer legitimate.' "

Some operators have turned to catering to offset lagging dining-room business. Kershaw says he has started to cater private parties, mostly as a favor to friends, but needs to work out mechanical problems before he can expand that part of his business. Since less food waste occurs when preparing food for a fixed number of people, better control over food costs is an advantage of catering.

At Junior's, catering now accounts for 7% of sales, and Saul plans to increase off-premise business. He currently runs three delivery trucks and plans to purchase more. Takeout remains a problem because parking is scarce around the restaurant.

Takeout and delivery might be hot among consumers, but some operators do not consider the trends viable sales builders. "I will not let a $3 pint of chowder interfere with a dining-room customer's meal," says Milano of Union Oyster House. The restaurant offers takeout to accommodate regular customers, but does not advertise the service. Rillo says Casa Rillo cannot handle delivery because the building does not have a door or an elevator at street level. Hollander is reluctant to coordinate insurance, drivers, trucks and advertising for a business that he says "wouldn't add much" to total sales.

Social issues

Twenty-five years after the Surgeon General's report on the effects of smoking, operators say that separating smokers from non-smokers is simply good business.

Hot talk-show and newsmagazine topics such as AIDS in the workplace and waste management have yet to faze independent restaurant operators. Carney says he does not view AIDS as a problem: "Fears about waiters and AIDS are unfounded," he says. Fodiman says he hopes never to have to make a decision about an employee with the dreaded disease. And Hollander has other things to think about. "If I don't keep food and labor costs below 60%, I won't make any money," he says.

continued on page 64

THE TOP 100

20
TOP CONTENDERS

Watch this list. Many of the 20 who almost made 1989's Top 100 should qualify next year. Just missing this years cutoff point were:

101. Christ Cella	**New York**	**$4.800MM**
102. The Nut Tree	**Nut Tree, Calif.**	**4.785**
103. Arne's Fine Seafood	**Boston**	**4.780**
104. Dominique's	**Washington, D.C.**	**4.750**
105. Nick's Fishmarket	**Chicago**	**4.730**
106. Weber's Restaurant	**Ann Arbor, Mich.**	**4.700***
107. Harpoon Hanna's	**Fennick Island, Del.**	**4.600**
108. Jesse's Dockside	**Seminole, Fla.**	**4.591**
109. The Bay Tower Room	**Boston**	**4.576**
110. Castagnola's	**San Francisco**	**4.565**
111. Philippe, The Original	**Los Angeles**	**4.545**
112. Harbormasters	**Jacksonville, Fla.**	**4.535**
113. Casa Rillo	**Camp Hill, Pa.**	**4.504**
114. Tony's	**Houston**	**4.500**
115. Joe's Pier 52	**New York**	**4.468**
116. Carnegie Deli	**New York**	**4.430**
117. The Pirates' House	**Savannah, Ga.**	**4.419**
118. Warehouse Restaurant	**Marina del Rey, Calif.**	**4.400**
119. Daniel Webster Inn	**Sandwich, Mass.**	**4.335**
120. Captain Bilbo's River Restaurant	**Memphis, Tenn.**	**4.300**

*R&I estimate

continued from page 58

GREAT EXPECTATIONS

This year Håkan Swahn's Aquavit in New York adds 80 seats.

Several restaurants too young to make the Top 100 in 1988 were written up as "great expectations"—restaurants expected to make the Top 100 this year. Of the group, Bice, New York, came out on top. The 180-seat Italian restaurant did $8.1 million in food and beverage sales in 1988, fulfilling owner Roberto Ruggeri's first-year projections and earning the restaurant a No. 39 rank in the 1989 Top 100. Bellini, New York, an 85-seat Italian restaurant, did $5.3 million in 1988 a bit short of owner Arrigo Cipriani's initial projection of $6.5 million, but still good for a Top 100 rank. Also in New York, Il Palazzo fulfilled first-year projections of $5 million, but owners Arnold and Bruce Zimberg closed the restaurant in June 1988. Shooters on the Water, Cleveland, was expected to do $12 million in 1988, but finished the year at $8.8 million. And, Richard Tannenbaum's two Dallas-area Atchefalaya Cafes never attained first-year-sales projections of $4.5 to $5 million.

Good bets for inclusion in *R&I*'s Top 100 in 1990 are Aquavit, San Domenico and Hubert's in New York and The Montgomery Inn at the Boat House in Cincinnati.

Håkan Swahn's Aquavit opened November 1987 and reported first-year sales of $4.2 million. The upscale Scandinavian restaurant has check averages of $47 at lunch, $65 at dinner. Swahn's planned addition of 80 seats and a delivery/catering business should push sales above $5 million this year.

Ted Gregory's Montgomery Inn at the Boathouse opened in Cincinnati in January with 750 seats—double the size of the original Montgomery Inn in Montgomery, Ohio. Gregory projects first-year sales of $14 million to $15 million for the new location.

Tony May's much-lauded San Domenico opened in June 1988 with 130 seats and checks averaging $72 for dinner, $59 for lunch. May projects first-year sales of $4.5 to $5 million.

Since relocating to a swank Park Avenue location in February 1988, Len Allison and Karen Hubert's restaurant, Hubert's, has been averaging $400,000 a month. The restaurant seats 165, and checks average $50 at lunch and $80 at dinner.

continued on page 70

Len Allison's Hubert's in New York is a candidate for next year's Top 100.

THE TOP 100

continued from page 64

EXPANSION PLANS

The nation's largest independent restaurant is expanding. Hilltop Steakhouse, Saugus, Mass., opened its first satellite September 1988 in Nashua, N.H., with seats for 420. Two more Hilltops to open in 1989 will have 600 to 700 seats, standard for future sites. Each new location will have a "tasteful replica" of the original's towering neon cactus signpost outside. . . . Milton Parker's first West Coast Carnegie Delicatessen will open in March 1989 in Beverly Hills, Calif., with 200 seats—double the size of the Manhattan original. . . . The Berkowitz family's sixth Legal Sea Foods will open in Natick, Mass., September 1989. . . . Wolfgang Puck and Barbara Lazaroff are gearing up for the fall 1989 opening of Granita in Malibu, Calif. The 150-seat restaurant will serve Mediterranean food. Also this fall, Puck will open Eureka, a 150-seat brew pub, in West Los Angeles with partners Jerry Goldstein and Andrew Hoffman. . . . Chicago-based Ditka's will open a third restaurant in April 1989 in Merrillville, Ind. . . . Sardi's, Washington, D.C., will open in September 1989. Owner Stuart Lichtenstein says the restaurant will have the "same feeling" as the New York original . . . Cesar Gonzmart's fifth Columbia restaurant will open in November 1989 in Clearwater, Fla., with a 60-boat marina and a Cha Cha Coconuts next door. . . . James Edmondson, owner of No. 83-ranked Sea Watch restaurant, will open a large waterfront cafe along the Seminole River in Fort Lauderdale this spring. The 250-seat restaurant will feature an a la carte menu of small pizzas, pastas, risotto and grilled fish. . . . Alan Stillman is opening two new restaurants in New York, September 1989. La Cité and Bistro La Cité will be a formal French restaurant and a casual French bistro/brasserie, respectively. . . . Peter Morton will open Hard Rock Cafe restaurants in Sydney, Australia, in March 1989; Las Vegas, Nev., fall 1989; and Melbourne, Australia, 1990. . . . Jerome Kretchmer and partners at the Gotham Bar & Grill will be opening at least one, maybe two restaurants in New York's Bryant Park development. One, a 160- to 180-seat American brasserie, tentatively will be named Park Place.

All smiles: Peter Morton opens two more Hard Rock cafes in 1989.

continued on page 74

FRANKENMUTH
Bavarian Inn

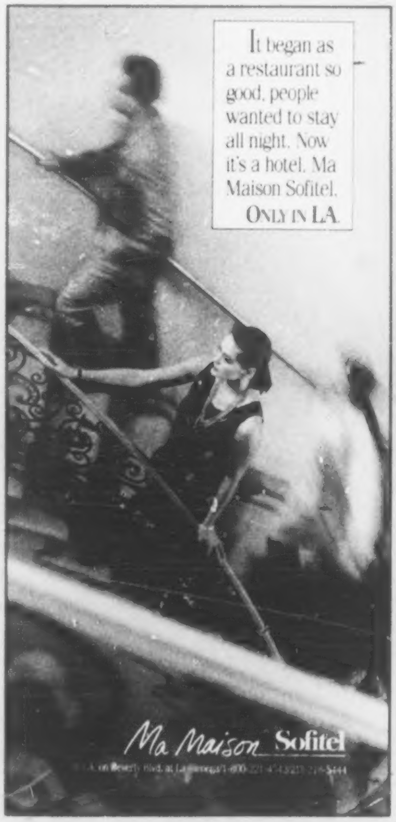
A BIT OF BAVARIA ON I-75

Maidens in puffed sleeves and colorful bodices, oompah music and a red-roofed chalet do not your typical travel center make. But come April, travelers passing through Michigan on Interstate 75 will be able to stop at the nation's only Bavarian-style fast-food/gas station/convenience store. Bill Zehnder, owner of the Frankenmuth Bavarian Inn in Frankenmuth, Mich., concocted the travel center as a way to attract business off the highway and into his restaurant and hotel eight miles away. "Frankenmuth is a small town," says Zehnder, "and with Zehnder's restaurant across the street from the Bavarian Inn, we've pretty much saturated the area. The travel center will allow us to expand sales without adding seats to the restaurant." The restaurant at the travel center will sell Bavarian Inn's signature chicken for takeout along with plenty of bratwurst, coleslaw and German relishes.

THE TOP 100

continued from page 70

FACES AND PLACES



It began as a restaurant so good, people wanted to stay all night. Now it's a hotel. Ma Maison Sofitel. ONLY IN LA.

Ma Maison Sofitel

In the 1970s, to be chic in Los Angeles was to dine at Ma Maison. In 1989, the chic eat and sleep at Ma Maison Sofitel. The hotel fulfills a dream of Patrick Terrail, who closed the original restaurant in 1985, hoping to open a hotel. Sheldon Gordon, developer extraordinaire, a Ma Maison patron and friend to Terrail, put Terrail's plan in action and brought in Sofitel to manage the hotel. Terrail is now Sofitel's food and beverage director; the two restaurants are Ma Maison and La Cajole, a brasserie. The new Ma Maison has a garden room, like the original, but according to Terrail, "is more sophisticated to match today's more sophisticated consumer." Fancy finishes include a ceiling that, at the touch of a button, opens to reveal the sky. Asked if he misses his independent status, Terrail says, "Sofitel has been very agreeable to my management style, so nothing has changed. Remember, I'm a restaurateur, but an entrepreneur first."

Not only did Hilltop Steakhouse serve $31.5 million worth of steak and potatoes in 1988, the megameatseller topped $20 million in sales through its butcher shop. "It's not your typical butcher shop," says Frank Giuffrida, owner. "The whole room is refrigerated and people come in and select meat from racks." Most customers buy meat in 10- to 15-pound slabs, cut to order at the checkout stand. Guiffrida says Hilltop will duplicate the butcher shop at all new locations.

Ralph & Kacoo's is no longer Ralph and Kacoo's—it's Piccadilly property. On Dec. 2, 1988, Ralph and Catherine Olinde sold their six restaurants and distribution company to Baton Rouge, La.-based Piccadilly Cafeterias for $38 million. Two other independents—Maxwell's of San Francisco and The Hard Rock Cafe, New York, went public via ownership changes this year. Horn and Hardart bought Maxwell's in May 1988, and Issac Tigrett sold Hard Rock in August 1988. The concept is owned by Mecca Plc.

FISH MARKET

The restaurant industry lost a leader with the passing of Thad A. Eure Jr., Nov. 18, 1988. Eure, founder of the No. 59-ranked restaurant, The Angus Barn, Raleigh, N.C., also founded Darryl's, a successful concept that has been franchised by General Mills. He created Fat Daddy's, a fast-food restaurant that now includes two units, and, finally, the 42nd Street Oyster Bar. Not only active in his own interests, Eure was committed to industry improvement through participation in the National Restaurant Association. Elected president of the NRA in 1978, Eure guided the association to significant legislative victories in areas of business meals, tax deductibility, capital gains tax and labor law reform. Eure's wife Alice and daughter Van continue in the family business. R&I

For information on National Pork Producers Council circle 2

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone 415/981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: 03/366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
Adamation (p.206)	82
Alaska Seafood Marketing Institute, Whitefish (p.178-179)	71
Allen Canning (p.174-175)	69
American Dairy Association (p.118-119)	44
Atlantic Cheinco Corp. (p.209)	89
Australian Meat And Livestock Corp. (p.162-163)	64,65
Beef Industry Council (p.107-109)	40
Bil Mar Foods, Inc. (p.189)	76
Bloomfield Industries, Inc. (p.4)	2
Blue Diamond Growers (p.102-103,181)	37,72
Borden Foodservice	
Chatsworth (p.30-31)	11
Cremora (p.32-33)	12
Eagle Brand (p.35)	13
Real Lemon (p.37)	14
Bridgford Foods (p.71)	22
Buffalo China, Inc. (p.187)	75
Bunge Edible Oil Corp. (p.27,29)	10
Bunn-O-Matic Corp. (p.184)	74
Calavo Foods, Inc. (p.22-23)	7
California Avocado Commission (p.114-115)	42
Cambro Mfg. Co. (p.90-93)	29,30,31,32
Carnation Co., Foodservice (p.150-151)	58
Classified Advertising (p.212-218)	
Clear Springs Trout (p.72-73)	23
Coco Lopez (p.161)	63
Coldwater Seafood Corp. (p.84-85)	27
Continental Coffee Products (p.IBC)	101
Cryovac Div., W.R. Grace & Co. (p.209)	88
Discover Card Services, Inc. (p.199)	78
Dixie Crystals/Savannah Food & Industries, Inc. (p.168-169)	67
Dole Packaged Foods (p.IFC)	
Durkee-French Foods, Inc. (p.137-139)	
Equal Low Calorie Sweetner (p.8-9)	3
Fisher Cheese Co. (p.95)	33
Fishery Products, Inc. (p.182-183)	73
Florida Department of Citrus (p.96-A-96-J)	
Fresh Farm Catfish (p.167)	66
General Slicing (p.211)	98
The Hall China Co. (p.207)	83
Harris/3M (p.204-205)	81
Heinz Co., H. J. (p.16-19)	5,6
Hormel & Co., George A. (p.24-25)	8
Hunt-Wesson Foodservice Div. (p.7,10)	106
Iceland Seafood Corp. (p.59-62)	20
Imperial Cup (p.209)	91
Infornet (.194-195)	150
Ionics, Inc. (p.209)	90
Jade Range Co. (p.210)	93
Katchall Industries, Inc. (p.208)	84
Kellogg Company (p.104)	
Kikkoman Int'l. Inc., (p.148-149)	57
Lancaster Colony Commercial Products (p.210)	92
Le Gout Foods, Div. Fearn International, Inc. (p.170-171)	68
Libbey Glass Foodservice, Libbey Glass Div. (p.38)	15
Lincoln Foodservice Products, Inc. (p.101)	36
Lykes Pasco, Inc. (p.116)	43
Micros Systems, Inc. (p.147)	56
Milliken Visa (p.141)	46
Minor Corp., L.J. (p.15)	
Molded Fiber Glass Tray Co. (p.208)	87
NCR (p.101)	104

continued on page 219

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone 312/635-8800

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 0215[illegible]-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address.

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Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95, Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

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4/3/89

UNIT MANAGER: TOUGHEST JOB IN THE INDUSTRY...42

R&I Report: Minimum wage, customer feedback.......20

Expert tips on how to match wine with your menu.....72

Do your sandwiches stack up to the competition?....116

C-stores find fast food hard to do.......86

MARCH 20, 1989

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MARCH 20, 1989

CONTENTS

VOL. 99 NO. 8

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

New mountains to climb . . . 11
Operations in this issue 11

VIEWPOINT

Goodbye, Mr. Chip 14

R&I REPORT

Customer Relations: Feedback techniques tell "How'm I doin'?" 20
Legislation: Industry softening stand on wage issue 22
Training: "Soft" skills are getting short shrift 24
Labor: State of the union varies in industry 26
Money Management: Soaring health-care rates force change 28

R&I FORUM

Reader's Opinion: No-star restaurants 32

R&I SCENE

People, Places & Promos 35
Personal Glimpse: Hank Aaron 38

R&I EXCLUSIVE

Labor: The toughest job in foodservice 42

MENUS

Menu Concepts: Souper Salad scales down full-size menu 63
Consumers' Choice: Soup's on 66
Menu Promotions: Wendy's calendar bears watching; Burger King's animal toys benefit children 70

TASTE

Merchandising: Matching food and wine 72

CHAIN DIGEST

Expansion Strategies: C-stores rethink fast-food niche 86

INSTITUTIONS

Colleges & Universities: Campus c-stores rev up revenues 93

EQUIPMENT

Technology: Refrigeration keeps up with trends 99

FOOD

Lunch Entrees: Scrumptious sandwiches 116

MARKETPLACE

Menu Merchandising: Ways to "Mexicanize" menus 128
Mexican products 134
Buyers Mart 137

CLASSIFIED ADS

Buying, selling, changing jobs 163

ACTION EXPRESS

For more information about products 170

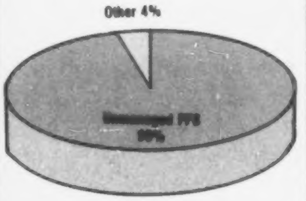
ADVERTISERS INDEX

Where to find ads in this issue 170

READER SERVICE CARD

To send for more information 171

Foodservice Energy News, a service of the American Gas Association, follows page 104.



1984

HEALTH-CARE PLANS

Seventy percent of insured employees are now enrolled in managed-care health plans, the remainder in traditional programs.

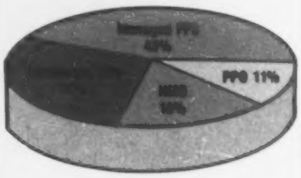
Unmanaged Fee for Service: Old-fashioned coverage that allows workers to choose their own doctors and get reimbursed for all or part of the fees charged by physicians and hospitals.

Managed Fee for Service: Like the old plans, but keeps tabs on utilization by, for example, requiring prior approval for some hospital admissions.

Health Maintenance Organization (HMO): Companies hired for a fixed overall fee to provide medical care for employees. Workers are covered only for treatment approved by the HMO.

Preferred Provider Organization (PPO): A group of medical personnel who contract to furnish services at discounted prices in return for prompt payment and a certain number of patients. Employees must choose doctors from the list.

Source: Health Insurance Association of American and *Newsweek*



1988

■ MONEY MANAGEMENT

Soaring Health-Care Rates Force Change

Companies modify medical coverage and hike employees' contributions.

The numbers are staggering: In the past 20 years, the cost of health care has risen from $50 billion per year to more than $500 billion.

As could well be expected, health-care premiums have risen dramatically as well. Since 1980, the cost of insuring a family of four has jumped 400%, according to Ellen Kaplan, an insurance consultant in Framingham, Mass. Soaring health-insurance rates were ranked the No. 1 problem by small businesses surveyed a year ago by the National Federation of Independent Businesses. A Dun and Bradstreet survey found that 39% of small businesses surveyed had premium increases of 20% or more last year, and 9% were faced with increases of 50% or more. A spokesperson for a 70-employee firm in Baltimore says he expects the company's health-insurance premiums will soon exceed payroll if both continue at present rates.

This expense has wrought havoc with businesses, both large and small. And foodservice operations have not been exempt.

To cope with the financial strains these costs have put on bottom lines, most companies are changing their health-care coverage. For example, many companies are changing the type of coverage that is offered.

Companies also are hiking the contributions that employees must make to the cost of their premiums, particularly if the employee has opted to remain with traditional coverage. Types of coverage that will be reimbursed are being limited and companies are hiring health-care consultants to evaluate doctors' recommended courses of treatment.

Far more employees are facing pre-employment screening as well, to minimize the amount of risk companies will knowingly encounter. In a recent study, 55% of the companies with 500 or fewer employees required presceening.

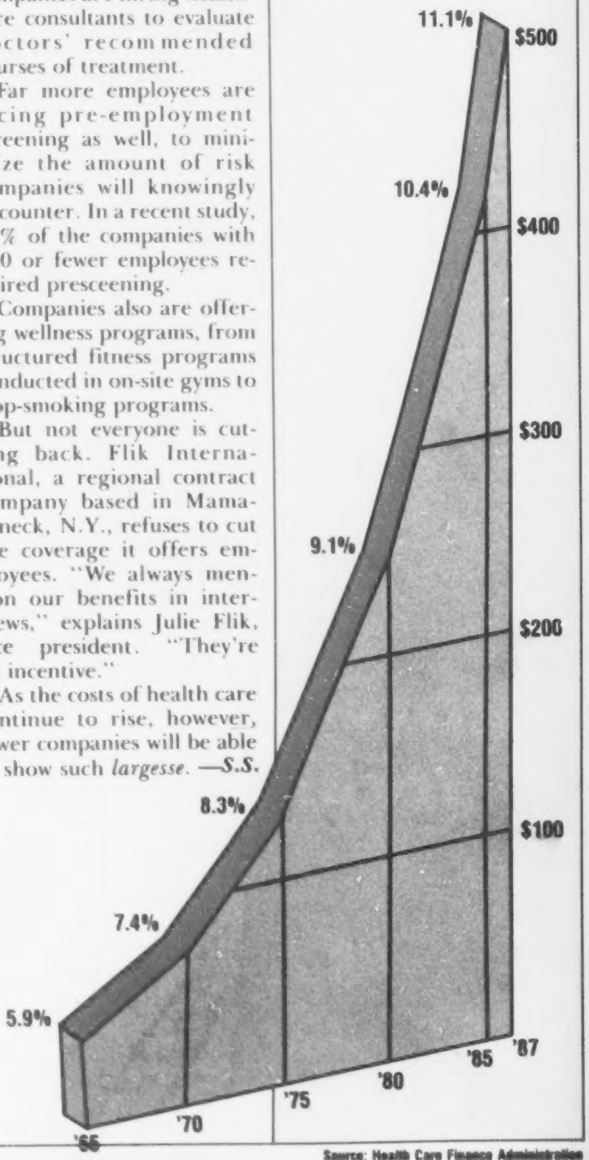
Companies also are offering wellness programs, from structured fitness programs conducted in on-site gyms to stop-smoking programs.

But not everyone is cutting back. Flik International, a regional contract company based in Mamaroneck, N.Y., refuses to cut the coverage it offers employees. "We always mention our benefits in interviews," explains Julie Flik, vice president. "They're an incentive."

As the costs of health care continue to rise, however, fewer companies will be able to show such *largesse*. —*S.S.*

CAN YOU AFFORD SICK EMPLOYEES?

The costs of providing health care have risen dramatically in the past 20 years. Why? Americans live longer and consume more medical services; state-of-the-art equipment is expensive but demanded; rising malpractice premiums mean higher doctors' fees and paying for the uninsured (now numbering 37 million) means hiking prices for the insured.



Source: Health Care Finance Administration and Blumrich-*Newsweek*

Amoco
DUNKIN' DONUTS
AMOCO
PAY INSIDE
DUNKIN' DONUTS
FRESH INSIDE!

Oil companies are pressuring c-stores' market share by testing fast-food items with low labor costs and high margins.

■ **EXPANSION STRATEGIES**

C-Stores Rethink Fast-Food Niche

Convenience chains find that in foodservice, the "c" stands for costs, control and commitment.

Three years ago, c-stores seemed destined to carve out a sizable slice of the fast-food market, much as their speed and on-every-corner locations had enabled them to skim off a hefty portion of the retail grocery business.

Indeed, the portion of revenues represented by in-store food items had risen dramatically, from 4.4% of total c-store sales in 1977 to 14.4% of sales in 1986, according to figures supplied by Alex. Brown & Sons.

C-stores, it was said, enjoyed major advantages over the local burger, chicken or pizza vendor. Most stores owned locations as good as those of the big fast-food chains, but they had longer hours, shorter transaction times, and a product diversity that made for better traffic. The profit margins c-store operators could earn on foods prepared on-site were far higher than those for retail foods: gross margins of 39% on fresh sandwiches, 47% on deli services and on foods cooked on-site, and 52% on all fast foods.

Some of the shine has rubbed off this bright future, however. The big convenience players have scrapped much-trumpeted tests such as 7-Eleven's plans to share stores with Hardee's, Church's Chicken and pizza maker Rocky Rococo, replacing them with simpler display cases of doughnuts. And the smaller chains, which had hoped to use fast food to protect their market niche from the encroachment of the oil company mini-marts, have been forced to realize that foodservice involves more than putting a soup kettle next to the coffee urn.

"Clearly, foodservice in c-stores involves a very different rationale," says Chris Vroom, specialty retail analyst for Alex. Brown & Sons. "You have to set yourself up with a fast-food philosophy. You can't just expect to add this or that product and watch the gross margin dollars fall to the bottom line."

In particular, according to Vroom, c-store operators exploring the potential of fast food often ignore the additional labor costs incurred. In-store fast-food programs usually require at least one worker per shift who does nothing but handle food. The most ambitious programs—those with sit-down dining areas—pay the average food preparer $4.35 an hour, compared to $4.25 for employees who do not handle food. Most important is the cost of the additional training c-store food handlers must receive—a cost that, in an industry known for high turnover and heavy dependence on part-time staff, may never be recovered fully.

Another foodservice lesson many c-stores had to learn the hard way is the importance of controlling the product. Before Effingham, Ill.-based Super K Stores revamped its foodservice approach in 1988, the menu was "typical of a program out of control," says Marketing Vice President Bob Lambert. Super K's 40 units included 13 sandwich delis, 11 hot soup counters, nine fry stations, nine pizza programs, three bakery units for doughnuts and bread, and one full grill. "The menu was running off in a million directions at once, and nobody knew if they were making any money or not."

Lambert's department streamlined the sandwich menu from 20 items using a variety of cheeses and meats to the six most popular standards. Menu control is particularly tough at c-stores, he says, where the operator is frequently a service-station owner who got into c-stores as a sideline. Those people tend to analyze foodservice profitability in total rather than item by item, which leads them to give up space to low-profit items. "Nachos have been out of style almost everywhere for 18 months," Lambert says. "But if you go into almost any convenience store today, you'll see nachos. The store is throwing away profit with that specific item, even though its total fast-food earnings may look the way they should."

Waste has been a frequent complaint of c-store operators who get into fast food, but Lambert says Super K's biggest problem was a *lack* of waste. "Workers were told not to throw away product, and our quality was suffering: The programs were really killing themselves."

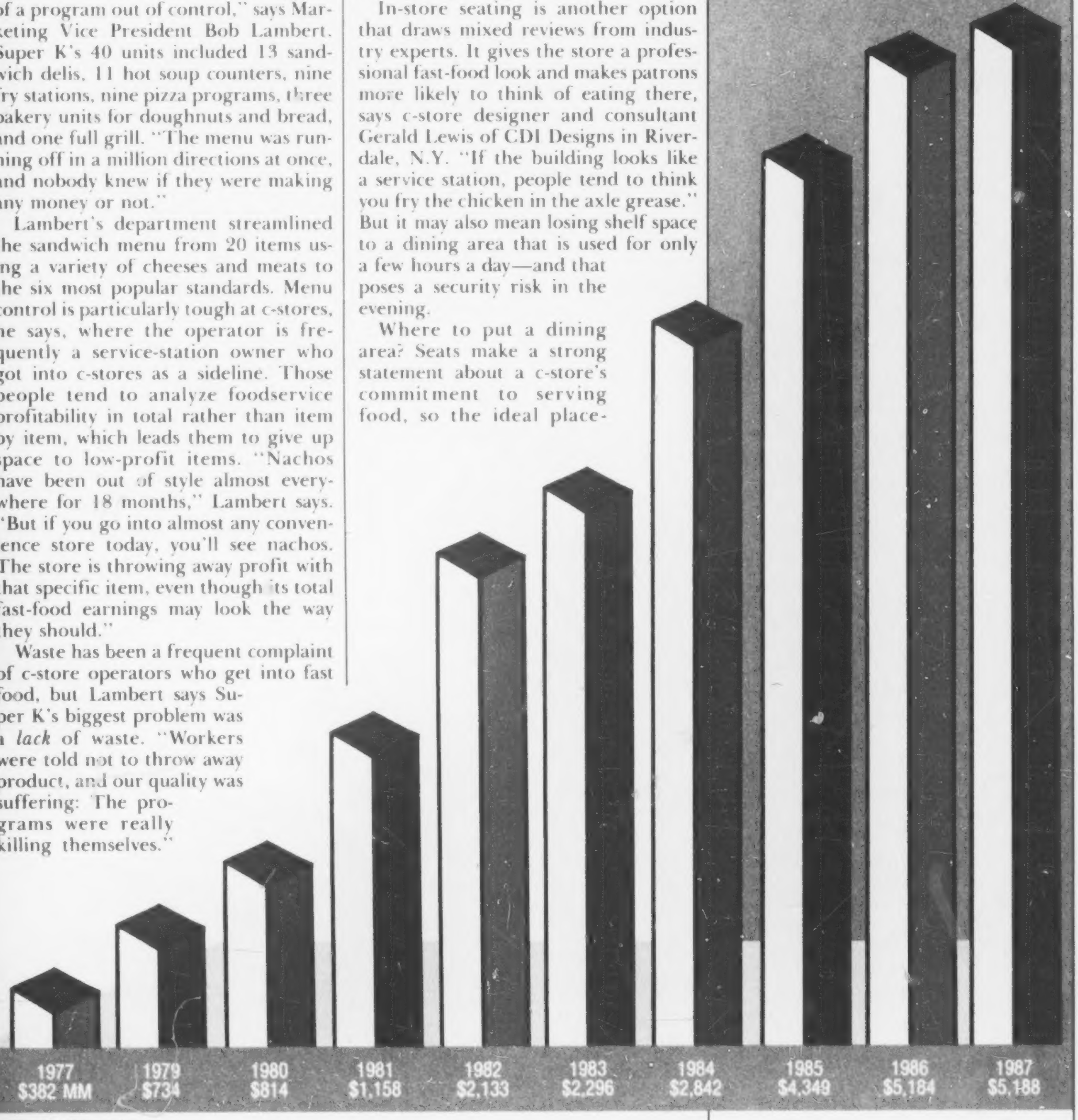
Eventually the company had to accept that in fast food, consistency takes priority over cost-cutting. "The Hardee's folks throw away more food in a day than a convenience store sells," Lambert says. "The c-store industry can still goof itself up [with poor fast-food programs], because many people still think of c-stores as gas stations. Consistent quality brings in customers."

In-store seating is another option that draws mixed reviews from industry experts. It gives the store a professional fast-food look and makes patrons more likely to think of eating there, says c-store designer and consultant Gerald Lewis of CDI Designs in Riverdale, N.Y. "If the building looks like a service station, people tend to think you fry the chicken in the axle grease." But it may also mean losing shelf space to a dining area that is used for only a few hours a day—and that poses a security risk in the evening.

Where to put a dining area? Seats make a strong statement about a c-store's commitment to serving food, so the ideal place-

C-STORE FAST-FOOD SALES PLATEAU IN 1987

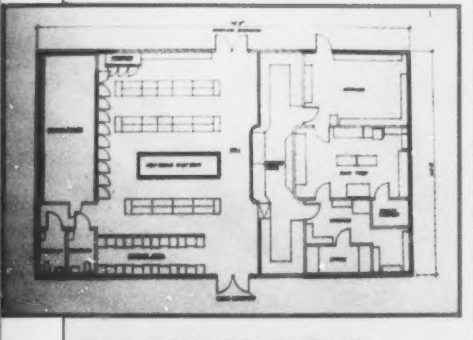
Soaring fast-food sales at convenience stores hit an air pocket last year; now operators are rethinking menus and methods, looking for what customers are really buying.



Source: Alex. Brown & Sons

CHAIN DIGEST

In-store seating lends a "serious foodservice look" but may cost shelf space, traffic and security.



FINE-TUNING FAST FOOD

Industry experts agree on one truth about a c-store fast-food program: it must be tailored to the needs of the immediate market by an operator who asks what will work in that particular store. A given unit may want to split its space almost evenly between fast food and groceries, as in many Marathon Oil Speedy Stores (above). "C-store space allocation is often out of kilter," says Gerald Lewis, president of CDI Designs. "Grocery shelving can take up 50% of space, but makes up only 10% of sales." Seating is another variable owners need to examine carefully. It may pay off, or it may create more problems than profits, says Alex. Brown analyst Chris Vroom. "It gives people you really don't want in your store a chance to sit, have coffee and hang around."

ment is the most obvious: right up front, preferably by a bank of windows. And of course a dining area should be separated from the ordering space, to make sure customers pay for their food before eating it. But it can't be too separate. Without a clear view of the seats, employees will have trouble controlling the space; without easy access to the dining area, they will not bus and wipe down the tables as often as necessary.

Super K's Lambert is unconvinced of the benefits of in-store seating, though his company has made an atrium with seats part of its latest prototype. "It's definitely worthwhile in the blue-collar neighborhoods," he says, but not as much along interstate highways, where customers are largely in-and-out shoppers. "And it's a security risk because it's out of the general traffic flow. After midnight, we usually turn out the lights to show that we don't allow anyone to sit in there and use the space for something else."

One top chain that seems to have solved many c-store foodservice problems is Des Moines, Iowa-based Casey's General Stores. Casey's has pursued on-premise food preparation more aggressively than the other six public c-store companies. Currently, 95% of the 653 Casey's stores sell doughnuts and pizza baked on the premises, and 28% offer a new fried chicken product. Casey's expects to put the chicken program into more than 500 stores at the rate of 15 a month. Fast food accounted for 22% of Casey's $139.4 million in non-gasoline retail sales in fiscal 1988, and President Donald Lamberti plans to make that proportion 30% within five years.

Part of that success comes from niche marketing—Casey's goes into rural towns where it may be the only fast-food outlet—but Lamberti attributes much of it to a determined program of employee training. Casey's keeps a team of 12 instructors, imports trainees to work in a model store at headquarters, and runs a test kitchen for trying recipes and filming instruction videos on everything from preparation to sanitation. These are shipped out to the stores with play-only VCRs.

"It's all part of taking foodservice very seriously," Lamberti says. "We expect to sell $25 million in pizza this fiscal year, and that's only half of our total foodservice sales. Obviously fast food is an important part of our business."

—Brian Quinton

C-stores designed to look like professional fast-food operations—such as this Royal Farms outlet owned by Baltimore-based Cloverland Farms Dairy—can help overcome customer resistance to c-store dining by clearly separating the foodservice areas from the retail grocery and point-of-sale locations.

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone 415/981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: 03/366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

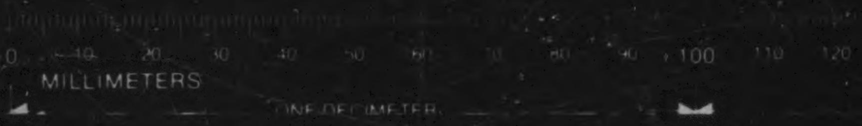
Advertiser	Inquiry No.
Alto-Shaam, Inc. (p.79-84)	26,27,28,29
American Dairy Association (p.76-77)	25
American Gas Association (p.105-112)	190,235-240
American Gas/Hobart (p.104)	37
American Permanent Ware, Inc. (p.151)	54
Bakers Pride (p.12)	6
Bell Atlantic Corp. (p.158-N-158-O)	82
Bettcher Industries (p.102-103)	36
Beverage Air (p.101)	35
Borden Foodservice Cremora (p.36-37)	17
Bunge Edible Oil Corp. (p.27,29)	12,13
Calavo Growers of California (p.30-31,33,34)	14,15,16
California Avocado Commission (p.130-131)	44
Cambro Mfg. Co. (p.64-65)	21
Capital City Prod. (p.158-C)	76
Carnation Co., Foodservice (p.126-127)	43
Classified (p.163-168)	
Coldwater Seafood Corp. (p.68-69)	23
Del Monte Tropical Fruit Co. (p.153)	55
Dole Packaged Foods (p.51-53)	
Durkee Foodservice Group (p.149)	53
Durkee-French Foods, Inc. (p.113)	
Equal Low Calorie Sweetner (p.8-10)	4,5
Florida Department of Citrus (p.155)	
Griffith Laboratories (p.125)	42
Hallde, Inc. (p.139)	47
Hatco Corp. (p.98)	34
Heinz Co., H.J. (p.16-17,18-19)	9,10
Hobart Corp. (p.IBC)	72
Hobart/American Gas (p.104)	37
Holly Farms Foods, Inc. (p.90-91)	31
Hormel & Co., George A. (p.96-97)	33
Hunt-Wesson Foodservice Div. (p.7)	
Iceland Seafood Corp. (p.59-62)	20
Infonet (p.114-115)	150
International Cold Storage Co., Inc. (p.148)	52
Ionics, Inc. (p.162)	71
John Morrell (p.4)	2
Karp & Sons, L. (p.147)	51
Katchall Industries, Inc. (p.161)	66
Kronos-Central Prods., Inc. (p.92)	120
L.K. Baker & Co. (p.162)	70
LaVictoria (p.130-131)	44
Le Gout Foods, Div. Fearn International, Inc. (p.145)	49
McClancy Seasoning/Spice Trader (p.158-F)	79
McGlaughlin Oil (p.160)	61
McIlhenny Co., Tabasco (p.95)	32
Marzetti Company, T. (p.158-D)	77
Molded Fiber Glass Tray Co. (p.162)	68
National Federation of Coffee Growers of Columbia (p.BC)	73
Ocean Garden Products, Inc. (p.15)	8
Ore-Ida Foods, Inc. (p.39-41,141-143)	18
Philips Lighting Co. (p.54-55)	19
Pierce Foods Corp. (p.56-57)	50
Polar King (p.154)	56
Procter & Gamble, Folgers (p.89)	7
Procter & Gamble, Tide (p.70-71)	24
Randall Industries (p.161)	65
Rich Products Corporation (p.119,121)	40
Rieber Industry (p.160)	60
Sage Systems, Inc. (p.162)	69
Sargento Food Service Corp. (p.158-E)	78
Schreiber Foods, Inc. (p.3)	1
Sequentia, Inc. (p.161)	64
SiLite, Inc. (p.136)	46

continued on page 169

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800.

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; David S. Wexler, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President/CEO; Robert L. Krakoff, Executive Vice President; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.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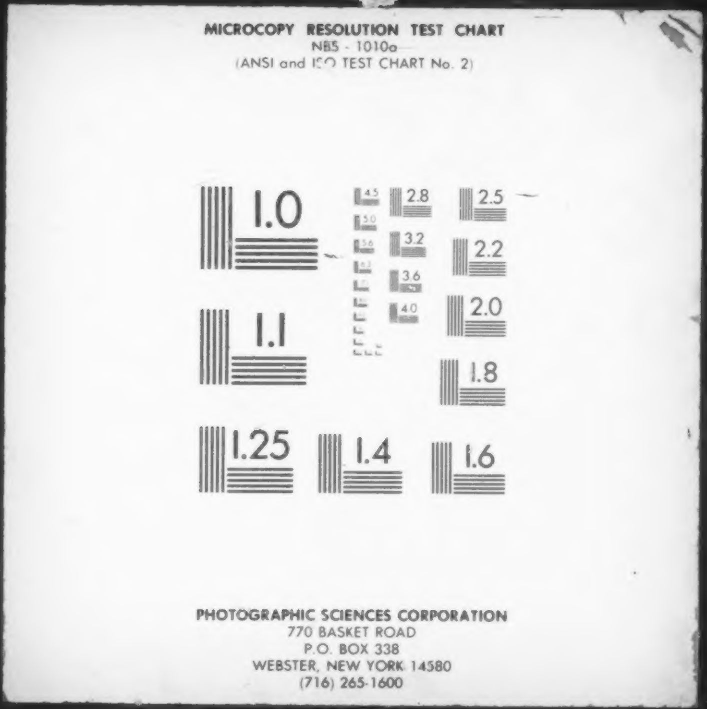

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Be precise in selling sparkling wines......139

The Great American Food Chronicles II: Hot Dog!....104

Making the most out of high-priced seafood...........164

How institutions compete for catering dollars........148

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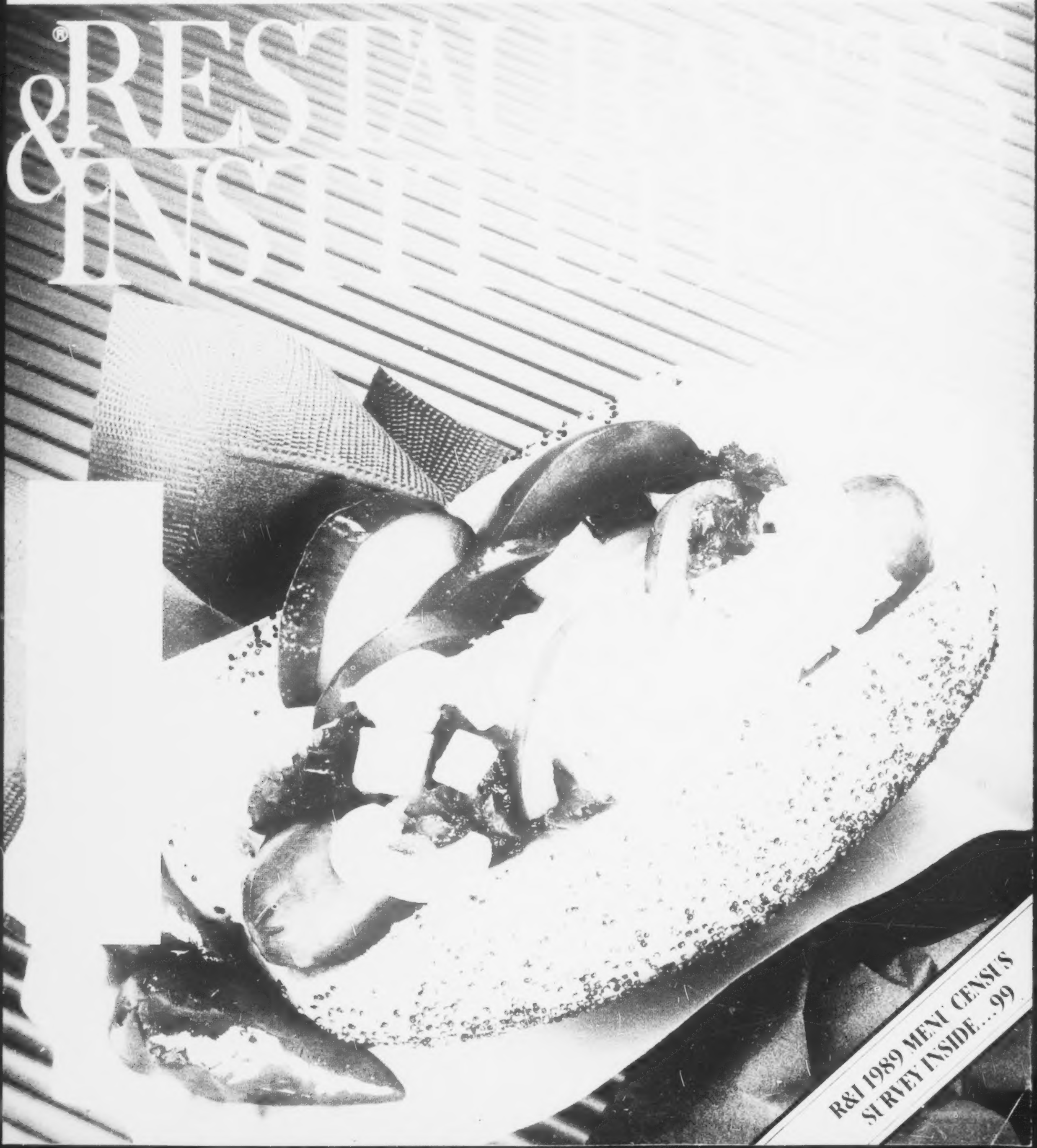


R&I 1989 MENU CENSUS SURVEY INSIDE...99

MAY 29, 1989

CONTENTS

VOL. 99 NO. 14

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 9

COMMENTS

What makes a "best run company" . . . 15
Operations in this issue 15

VIEWPOINT

The ties that bind 16

R&I FORUM

Reader's Opinion: B&I must develop retail mentality 20

R&I REPORT

Marketing: Chains target black patrons to boost same-store sales 28
Franchising: FTC discusses smoothing out regulations 30
Taxes: NRA fights proposed cuts in business-meal deductibility 34
Legislation: State legislatures step up pace on most crucial issues 38

R&I SCENE

People, Places & Promos 43
Personal Glimpse: Dick Butkus 44

R&I EXCLUSIVE

Management: Best-run companies 48
Chili's Inc. 50
Chick-fil-A Inc. 52
Creative Gourmets 56
White Castle Systems Inc. 60
Restaurants Unlimited Inc. 64

MENUS

Menu Concepts: Wendy's new sandwich 79
Consumers' Choice: The dessert dilemma 84
Menu Promotions: White Castle pushes double burgers 90
Menu Design: Goose Island's menu reflects rough-hewn image 94
Prize Drawing: Enter your menu to be eligible 98
Questionnaire: 1989 Menu Census Survey 99

TASTE

American Cuisine: The hot dog (another article in *R&I*'s Great American Food Chronicles) 104

LIQUID ASSETS

Tabletop: Glass act sets the stage 133

RESTAURANT WINE™

Merchandising: Precision key to selling sparkling wines correctly 139

INDEPENDENTS

Hotline 145

INSTITUTIONS

Operations: Catering prevails when funding fails 148
Hotline 154

FOOD

Menu Fare: Fishing for economy 165

MARKETPLACE

Buyers Mart: Products 185

CLASSIFIED ADS

Buying, selling, changing jobs 212

ACTION EXPRESS

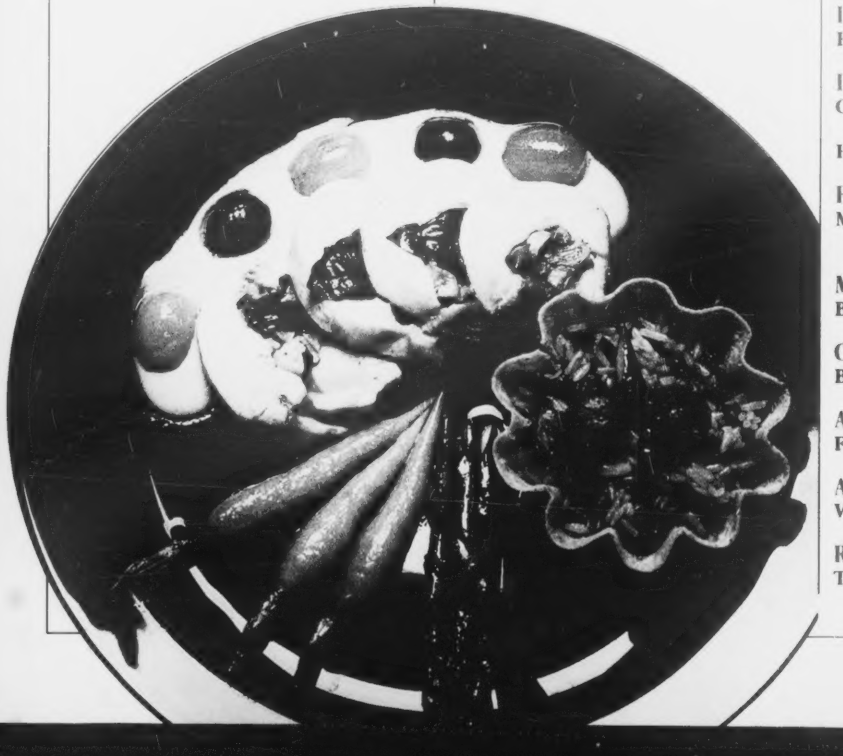
For more product information 222

ADVERTISERS INDEX

Where to find ads in this issue 222

READER SERVICE CARD

To send for more information 223



R&I EXCLUSIVE

■ MANAGEMENT

BEST-RUN COMPANIES

◆ ◆ ◆ ◆ ◆

Chick-fil-A Chairman S. Truett Cathy and employees.

◆ ◆ ◆ ◆ ◆

R&I presents its honor roll of "best places to work": five companies where creative culture spurs steady growth.

Shortly after World War II, a man named Edward Deming tried to convince the leaders of American business that there was a better way to run a company. They would not listen. But another group of business executives did. Japan embraced Deming's ideas and the rest is history. In fact, the most coveted business award in contemporary Japan bears Deming's name. Something of a sad irony, as America struggles to remain No. 1 against a Japanese economic juggernaut.

Forty years later, the United States has created its own business quality award, named in honor of the late secretary of commerce, Malcolm Baldridge. The Baldridge is a "national award given for high product quality." Recipients for 1989 are Westinghouse Electric Corp., Motorola Inc. and Globe Metallurgical Inc. The Baldridge award describes companies that produce quality in this way: "Change can only come from the top; there must be an understanding of 'floor problems'; engineers today have a broader background."

In another direction, we have seen a spate of books in the last decade on how to run a company. The best known is "In Search of Excellence," by Thomas Peters and Robert Waterman, which lists the following "eight attributes that have emerged to characterize most nearly the distinction of the excellent, innovative companies": 1) a bias for action, 2) close to the customer, 3) autonomy and entrepreneurship, 4) productivity through people, 5) hands-on, value-driven, 6) stick to the knitting, 7) simple form, lean staff, 8) simultaneous loose-tight properties. As the book says, pointedly, "Almost everybody agrees that 'people are our most important asset.' Yet none really live it." The best companies do live out their commitment to people. They also show a strong bias for action. Formula: Creatively active people make a strong company.

"Re-inventing the Corporation," by John Naisbitt and Patricia Aburdene, offers more guidelines for a best-run company:

1. Do employees experience personal growth in this company?
2. Does the company reward performance and initiative or is everyone treated the same?
3. What is the vision of the company?
4. How is the company structured?
5. Where does the company stand on health and fitness?
6. Is this company flexible about job arrangements or is it strictly a 9-to-5 operation?
7. How successful have women been in the company?
8. Is the company involved in any programs with local schools?
9. Is the company thinking about life-long training and education?
10. Are employees having fun?

Finally, here are the criteria *Fortune* magazine uses in its annual ranking of corporate performance: ability to attract, develop and keep talented people; innovativeness; quality of management; financial soundness; quality of products or service; community and environmental responsibility; use of corporate assets; value as long-term investment.

The companies that appear on our best-run list include most or all of these attributes in their philosophies and, more important, in their day-to-day operations.

Chick-fil-A employees drive up a mile-long road through Georgia woods before they reach a tree-shaded parking lot.

Chili's, Dallas, enthusiastically rewards performance with a profit-sharing program installed three years ago. If the company attains its income goal for the year, employees see a percentage in their paychecks.

Creative Gourmets, Charlestown, Mass., keeps a psychiatrist on staff to help departments work together more closely, moderate in-house debates and help employees deal with personal problems. This unusual staff member helps the company fulfill the promise it makes in its handbook: "You have chosen to join a company where caring is our most important attribute."

Restaurants Unlimited, Seattle, demands top customer service from employees, and then gives them the power to do their jobs right. If a customer says something's wrong, servers do what it takes to fix the situation.

White Castle, Columbus, Ohio, rewards loyalty with its policy to promote solely from within. All 12 area managers started behind the counter: 235 of the company's 9,000 employees have been with White Castle more than 25 years.

We think these examples offer food for thought on how the companies we have chosen measure up, both as business entities and as human environments.

—The Editors

THE *R&I* HONOR ROLL

These five companies strive to promote creativity and excellence, while maintaining strong financial profiles.

CHICK-FIL-A INC.
Atlanta

CHILI'S INC.
Dallas

CREATIVE GOURMETS
Charlestown, Mass.

RESTAURANTS UNLIMITED INC.
Seattle

WHITE CASTLE SYSTEMS INC.
Columbus, Ohio

BEST-RUN COMPANIES

CHILI'S INC.

Brinker & Co. place a premium on growth—both in their market and among Chili's employees.

◆ ◆ ◆ ◆ ◆

CEO Norman Brinker (l.) and President Ron McDougall (r.) please both employees and stockholders by focusing on the customer.

Some companies make employees walk through fire to prove their loyalty. At Chili's, they only have to putt through mashed potatoes.

Or at least once a year they do, at the Dallas-based company's miniature-golf tournament. During this annual event, Chili's headquarters building becomes an 18-hole morale boost, where randomly chosen teams compete on courses they have designed themselves. This year, the mashed potatoes served as the green for an "Ida-hole" that ran through a spud-studded company cafeteria. "They can get pretty creative around here," says Chili's President Ron McDougall.

But the point of the competition goes beyond perfecting one's chip shot over the copying machine. Golf teams are usually drawn out of a hat, and the camaraderie spills over into everyday business dealings, making the staff more effective at solving problems between departments. "We get a lot of cross-functional groups," McDougall says. "All of a sudden, you've got a friend in another department where you didn't know anyone before. Now, if there's an issue involving that department, you have someone you can turn to for help. The main thing is to show that people have other sides than the one at the office."

In the six years since Norm Brinker took the helm as CEO, Chili's has earned a reputation for just this type of easy informality, designed to make the job both more fun and more productive. Brinker himself is the original open-door leader, holding that responsive communication is the key to good relations with both employees and shareholders. He has a policy of dropping into Chili's units—approximately 10 per week—to talk directly with managers and supervisors.

Still, at that rate, it takes him almost three years to get to all the restaurants under the Chili's banner. From a moderately successful regional chain of 22 outlets and $30 million in sales in 1983, Chili's has ballooned into a sophisticated and highly visible national corporation, with 146 units in 26 states. Sales for fiscal 1989 are projected to be $350 million. In the last four years, Chili's revenues have increased by 332%, units by 234%, and net income by 189%.

Brinker and McDougall know that such a sharp growth curve can overwhelm a business. So Chili's culture of informality is grafted onto a fully developed organizational structure that emphasizes training, research and development, long-range planning and good shareholder relations.

The company runs lean at the top: Of 15,000 employees, only 260 work at the head office, and general and administrative costs are 5.6% of sales and falling. "We try to stress that everyone [at the Dallas headquarters] is here to make the operator's job easier—to make him more efficient, take the paperwork off his back, get him out taking care of the customers and the employees," says McDougall. If you're working on a project here, it can't be simply to make your desk look neater. It's got to have a tail that eventually affects the customer." For example, Chili's operations task force recently collaborated with information services on a computer program that can produce the optimum weekly manpower schedule for a unit by tracking recent sales and traffic trends. A manager can let the computer take the first pass at making up his weekly plan, then sit down and fine-tune it to suit workers' needs.

"Our calculations show managers will save five hours a week using this program," McDougall says. "That's 260 extra man-hours a year to do whatever they want to do—develop themselves, get into the front of the house, train their assistants, whatever."

Everything Chili's does in the field and at the home office has a similar double focus on enabling its people to serve the customer and encouraging them to take a stake in the company's success. A recently instituted policy gives yearly stock options to middle top management headquarters, and to assistant managers and above on the operational level. The Dallas staff is in its third year of universal profit-sharing. If the company makes its income target for a year, each worker gets a percentage of his or her salary in bonus. The percentage varies by rank and has a 4-to-1 escalator: If profits exceed plan by 10%, the bonus goes up 40%, with no cap.

Again, the Chili's philosophy says that this kind of equity participation helps both the employee and the company. "I've got a whole team here that's looking to save money," McDougall says. "And you don't need a $100,000 idea to contribute. If you can save $1,000, that goes back into the profit pool. So, if someone's going crazy on the copier machine, we have a lot of policemen around."

Brinker is known as an innovator himself—the Steak & Ale chain and the salad-bar concept are testimony to his creative powers—and he has seen to it that Chili's sends a message to all its staff: Ideas Wanted. Good suggestions are rewarded with spot bonuses or, at least, letters of appreciation. He tells managers who have just come into the Chili's system to look around and point out anything they think can be done better before they become "Chili-ized." Almost 80% of the current Chili's menu came from suggestions made by unit managers; the idea for the atrium on the side of the current Chili's prototype came from a supervisor in California.

As a former chairman of Burger King, Brinker knows the importance of taking good advice from the people in closest touch with the customer and the dangers of stifling employee creativity. "People either grow or shrivel," he says. "It all depends on whether the company's attitude is conducive to growth or not. There's the attitude that says, 'Boy, I've got an idea.' Or there's the one that says, 'That's not the way we've done things—you run the restaurant, we'll get the ideas.' Say that too many times, and employees get the message."

At Chili's, the message sent to both employees and shareholders is summed up in the first part of the company's mission statement: "To be a premier and progressivee growth company, with a balanced approach to people, quality and productivity." Best of all, the statement might well go on to add, Chili's managers are determined to have some fun as they grow.

chili's
GRILL & BAR

"We want to make sure we're smart as we can be," McDougall says of training at Chili's. "We don't want to get run over by the company."

chili's
GRILL & BAR

Headquarters: Dallas

Founded: 1975

CEO/Chairman: Norman Brinker

President: Ron McDougall

1983 units: 22

1988 units: 146

1983 sales: $35MM

1988 sales: $218MM

Average unit volume: $2MM

Earnings per share 1985: $0.82

Earnings per share 1988: $1.45

Employees 1983: 1,600

Employees 1988: 15,000

Hourly turnover: 100%

Salaried turnover: 20%

Mission statement: We aim to be a premier growth company with a balanced approach toward people, quality and profits; to cultivate customer loyalty by listening to, caring about and providing customers with a quality dining experience; to enhance a high level of ethics, excellence, innovation and integrity; to attract, develop and retain a superior team; to be focused, sensitive and responsive to our employees and their environment; and to enhance long-term shareholder wealth.

BEST-RUN COMPANIES

CHICK-FIL-A

New operators are surprised that the corporate creed says nothing about selling sandwiches.

◆ ◆ ◆ ◆ ◆

Chick-fil-A's top executives have an average tenure of 15 years. The group includes three Cathys: founder S. Truett (back l.), Bubba (front l.) and Dan (front r.).

In 1982, 15 years after S. Truett Cathy opened the first Chick-fil-A restaurant, a series of problems descended upon the chain. Sales were down for the first time in company history. The company took on its first heavy debt load (with interest rates hovering around 21%) by building a five-story office on 72 acres. Burger chains began adding chicken sandwiches, giving Chick-fil-A its first taste of head-on competition. And because of the product rollouts, chicken prices soared.

Instead of panicking, founder S. Truett Cathy and his top managers, including sons Dan and Bubba, took a working vacation. "We had to decide, 'Why are we here? Why are we in business?' " explains the senior Cathy. In response, the 10 came up with a corporate purpose that guides the company: "To glorify God by being a faithful steward of all that is entrusted to us and to have a positive influence on all who come in contact with Chick-fil-A."

Oddly enough, the company's situation turned around the next year. Interest rates leveled off. Chicken producers began to meet demand, and prices dropped. The chain posted a 29% increase in sales, and 46 of the chain's 286 store operators won new Lincoln Continentals, their reward for achieving 40% sales growth. "You could call it divine intervention," says Cathy, with a sly smile.

More likely, the changes came about because management began working toward a big goal—satisfaction that comes from happy customers and a job done right—rather than focusing on solving small problems. Even today, new operators marvel that the company's mission statement says nothing about selling chicken sandwiches. And, religious allusions aside, the statement makes business sense: Make people feel good, and you'll create loyal customers. These days, all three levels of Chick-fil-A operations—top management, field managers and store operators—live this mission.

A plaque bearing the mission statement sits in front of Chick-fil-A's Atlanta headquarters, reminding the 200 corporate employees of their purpose. The Cathy family, which owns 100% of the company, strives for a holistic approach to benefits. In addition to health and dental insurance, profit-sharing and pension plans, corporate employees can get a free lunch every day. There's an exercise room and racquetball court in the basement; three times a week, an aerobics instructor holds a lunchtime class. Three nature trails crisscross the woods surrounding the Chick-fil-A building.

The Cathys have a caring attitude towards employees' families as well. Spouses are invited to every corporate meeting. If the meeting is held in another city, their travel expenses are paid. Employees are encouraged to take vacations at company-owned condos in Florida and at a rustic lodge on the campus of Georgia's Berry College, home of Chick-fil-A's WinShape Centre Foundation.

Chick-fil-A's 30-odd field-marketing and operations directors call Atlanta home. But they are usually out in the field, serving as conduits between top management and store operators. These days, they are busy relaying corporate's new commitment to quality.

Dan Cathy, senior vice president of operations, explains. A few years ago, the company's quality surveys indicated that customers thought Chick-fil-A offered the best chicken sandwich in the industry, but not necessarily the best service in the cleanest stores. "We were not where we wanted to be in customers' minds," he says.

After initially blaming the problem on training, he took the blame and started working on the problem. The solution is based on one simple premise: Do it right the first time, every time. "We're trained to think that 80% right is good—it's a passing grade," he says. "But if you're the ninth or 10th customer, 80% is not a passing grade."

Chick-fil-A operators are reminded

BEST-RUN COMPANIES

Employees vacation at company condos in Florida and a log cabin in the woods of northern Georgia.

Company: Chick-fil-A

Headquarters: Atlanta

Founded: 1967

Chairman: S. Truett Cathy

President: Jimmy L.S. Collins

1983 units: 289

1988 units: 390

1983 sales: $134.2 MM

1988 sales $232.2 MM

No. of employees: 13,000

Average unit volume: $621,300

Hourly turnover: Below 50%

Salaried turnover: 5% to 6%

Mission statement: "To glorify God by being a faithful steward of all that is entrusted to us and have a positive influence on all who come in contact with Chick-fil-A."

of the corporate purpose with an engraved desk set, a gift to every new operator from Truett Cathy since 1982. Scrupulous interviewing processes, a thorough financial check and a six-week courting period with new operators, however, ensures management that operators can and will carry out the Chick-fil-A mission.

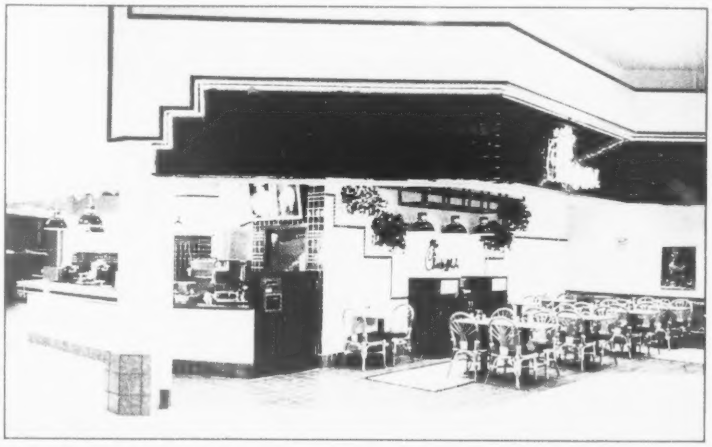
This policy, teamed with careful checking of potential locations, has resulted in only four store closings in 22 years. And management points out that those stores closed only because the malls in which they existed closed. (Poorly operated units are not closed, but turned over to new operators.)

The operators—who are allowed only one store and cannot be involved actively in another business—pay Chick-fil-A a $5,000 fee to cover site selection and equipment leasing, hand over 15% of monthly gross sales and split net sales with Chick-fil-A. Operators are guaranteed first-year income of $20,000. The average Chick-fil-A operator makes $50,300 a year; operator incomes range from $20,000 to more than $100,000.

Although operators are independent business people, not Chick-fil-A employees, they are treated as such. Operators and spouses are invited, expenses paid, to each annual meeting. Regional meetings and workshops take place four or five times a year. And operators who post either a 40% or $200,000 sales increase over the year prior win a new Lincoln Continental.

Chick-fil-A doesn't ignore crew members either, even though operators dictate wages and benefits for hourly employees. Crew members who have worked at a Chick-fil-A restaurant for two years, average 20 hours a week and are recommended by their operator are eligible for $1,000 scholarships to the college of their choice. The scholarships are given to all who are deserving, not a set number of employees a year. Employees can also apply for a $10,000 scholarship applicable toward four years at WinShape Centre. Since 1973, Chick-fil-A has given more than $5 million in scholarships.

Scholarship recipients are not required to return to work at Chick-fil-A after the school season, but most do. Former crew members fill one-third of Chick-fil-A's personnel needs.



Chick-fil-A's strict policies regarding operators and sites have resulted in only four store closings in the company's 22-year history.

CREATIVE GOURMETS

Caring about employees lifts institutional feeding and private catering to an exceptional level.

◆ ◆ ◆ ◆ ◆

Stephen Elmont, Creative Gourmets' president (l.), and John Nash, director of patient services, Dana-Farber Institute (r.).

Creative Gourmets' employee handbook opens with this salutation from President Stephen Elmont: "Welcome! In this world of prepackaged, bland, boring foods with lots of additives, served by people who come to work because they have to, not because they want to—YOU are special. You have chosen to join a company where CARING is our most important attribute."

A strong, challenging statement, highlighted by the word *caring*. Behind this overused term is a hard reality. "Many of the people who come to our company have been used or abused in other jobs," Elmont explains. "They're here because they don't want it to happen again, and they're going to make sure no one at Creative Gourmets will be hurt as they're been. They really do care for people in the basis sense of the word."

Part of Creative Gourmets' mission statement says, "Our technology is in well-trained individuals. We fulfill our mission by providing excellence through caring for our customers and our employees." A tour of the offices in Boston brings the constancy of this concern to full view.

As one example, Creative Gourmets employs Dr. Barrie Greiff, a consulting psychiatrist who regularly works with anyone in the company, beginning with Elmont and his partner, Eugene Piacentini. In fact, the two brought in Greiff to deal with a crisis precipitated by the growing size of the company.

"Stephen and Eugene were going through a stress period," relates Greiff. "They wanted to be together on issues like excellence, quality, motivation and service to the consumer. They were smart enough to seek outside advice and mediation, and it helped greatly."

The impression given (and correctly so) is that people at headquarters are always doing one of two things: analyzing themselves or the company and critiquing their own ability to generate new ideas. Elmont is totally immersed in the process of gleaning new insights from any source. Greiff tells of having dinner with Elmont, and ending the meal by saying, "I don't think I learned anything tonight," then calling the next morning to say, "Yes, I did. It was a delayed reaction."

Employees are encouraged to voice their feelings, formally and informally. They can use "beeflets," small pamphlets that allow them to voice grievances. A grievance is defined clearly in the company handbook as "a worry, a concern, a problem that you wish to discuss, clarify or solve," and it is a given that every Creative Gourmets employee can express grievances—and have them addressed.

A more sophisticated mechanism was set up later in 1988 and is administered by Lenora Bowen, vice president of Support Services. It is called REACT (Response to Employee Assessment of Critical Topics). Bowen's initial memo on this program says, "Hourly employees and managers are the people who interact daily with our customers. They have a more immediate knowledge of what we as a company must respond to or work on. We must do three things: identify problems and priorities; attack, solve, work on, deal with these; and give feedback on results ASAP."

Four groups, representing both hourly and salaried employees, hammered out four things to be done: health-care options, improved communications through a newsletter, better mail-delivery system and more training for employees. The company responded to the demand for training by starting annual management seminars, dealing with topics such as computers, wine tasting and AIDS in the workplace. Creative Gourmets also is responding to the other requests.

Piacentini and Elmont invest willingly in the initial training of managers. Since 1984, 51 people have graduated from another Creative Gourmets' program called P.R.I.D.E. (Personal Responsibility for Independent Development of Excellence). P.R.I.D.E. re-

BEST-RUN COMPANIES

"Beeflets" are one mechanism for identifying and attacking problems in a customers-first organization.

CREATIVE GOURMETS *Limited*

Headquarters: Charlestown, Mass.

Founded: 1975

President: Stephen Elmont

1983 Accounts: 24

1988 Accounts: 50+

1983 Sales: $7.5MM

1988 Sales: $33MM

Employees: 800+

Hourly Turnover: 58%

Salaried Turnover: 27%

Mission Statement: "Excellence through Caring"

quires the candidate to train in back of the house, catering and overall management. The cost to the company, which is based on the number of people who go through in a year, averages more than $3,000 per person.

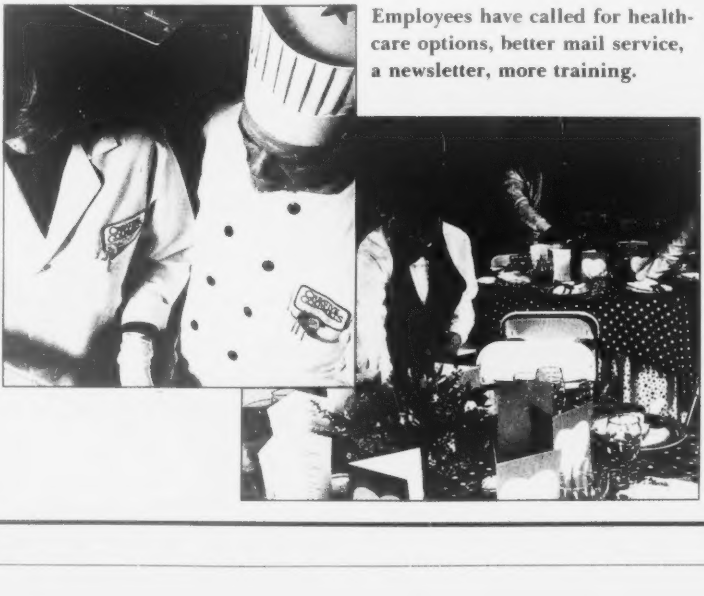
Creative Gourmets' niche and basic operating philosophy is defined this way: "We aim to improve the quality of life in the environments in which we operate foodservice." One dramatic example of this is found in the service given to the Dana-Farber Cancer Institute in Boston. Many terminally ill patients are treated there, and Creative Gourmets' policy is that they will eat restaurant-quality food. The unwritten rule is managers are empowered to go anywhere to get a requested item.

From the start, back in 1975 when Piacentini and Elmont opened a small place called Soupcon, which served fresh, healthful foods, the two have wanted only to do superior food and service. When Commercial Union, from whom they had borrowed space, asked them to run its company cafeteria, they took the same criteria at work in Soupcon and applied them to institutional feeding. Today they serve 50,000 meals a day for more than 50 clients.

While Elmont and Piacentini have maintained their standards, they also have kept a sense of balance about their own importance in the Creative Gourmets success story. Everyone in the company still calls them Stephen and Eugene. The organizational chart, an inverted pyramid, places the customers at the top, followed by employees, with management in tiny type at the bottom.

The co-founders now act as in-house consultants to the more than 800 employees. Piacentini's forte is a complete mastery of the operational side, including food quality, menus and the intricate logistics of the many "affairs" continually in the works. Elmont is a catalytic personality who allots 25% of his time to counsel anyone in the company. He also chairs informal "nacho" meetings, in which department heads present status reports and major strategy is discussed.

Whatever the strategy, it always will have the words "caring" and "excellence" in it, for the benefit both of employees and customers.



Employees have called for health-care options, better mail service, a newsletter, more training.

BEST-RUN COMPANIES

WHITE CASTLE

Product confidence has been built on economies of scale and "doing one thing well."

Management's philosophy, based on loyalty through shared commitment and shared reward, has led to 68 years of expansion.

In 1935, long before there were labor shortages, Edgar Waldo "Billy" Ingram established a code to act as a guide to excellence and to ensure that employees work in "harmony, unity and contentment."

And, long before customer service became a hospitality-industry buzzword, Billy Ingram created a pledge to "serve the finest products, for the least cost, in the cleanest surroundings, with the most courteous personnel."

Founded in 1921, White Castle Systems Inc. is recognized as a fast-food pioneer. In the book "Orange Roofs, Golden Arches: The Architecture of American Chain Restaurants," author Philip Langdon says, "Nearly every aspect of the White Castle company served as an inspiration for other restaurateurs. Throughout almost the entire United States, local or regional chains took as their model one or more attributes of White Castle—the name, menu, operating procedures, construction techniques, materials and design."

Besides being an innovator in operations, White Castle is most respected for its benefits plan, its family orientation and a long-standing tradition to promote solely from within. Currently, all 12 area managers, covering 16 regions, started behind the counter as entry-level workers. Management insists that starting at the bottom is the only route to the top. Anyone who comes to work for White Castle is considered, in effect, a management trainee.

Another Billy Ingram saying, "We have no right to expect loyalty except from those to whom we are loyal," has paid off over the years. Of the company's approximately 9,000 employees, 235 have been with the company more than 25 years. (Nearly 500 employees have become members of the 25-Year Club over the decades.) White Castle's salaried employees have been with the company an average of 17 years; 10% of the employee population has been with the company more than 10 years.

What keeps employees around for such long tenures is one of the best benefit packages in the business. The company's comprehensive package includes free major-medical insurance, life insurance, paid maternity leave and long- and short-term disability for management. Full-time employees receive up to $700 annually as tax-free reimbursement for medical, dental and vision expenses not covered by health benefits. Eligible part-timers receive up to $525. This year, all employees are offered a $100 wellness benefit.

Allowing employees to share in the company's success is another reason White Castle has retained talented employees. Everyone can participate in the company pension plan, profit sharing and a unique bonus plan. The company establishes a bonus fund each year, based on a percentage of sales. Along with a Christmas bonus, each employee receives a percentage, based on length of service, at year's end.

One of the early signs that White Castle possessed the innovative spirit necessary to survive and thrive in what would become an extremely competitive industry was the method used to produce its unique hamburger. The small, square patty was designed to fit into a griddle. Five holes were poked in the burger to allow steam to escape, making it unnecessary to turn it over and, therefore, saving critical labor time.

Since loyal customers tend to buy the small burgers in larger quantities, the production technique has not been tinkered with. Add the "buy 'em by the sack" mentality and you get average unit sales of about $1.3 million, which often surpasses the volume of most major fast-food restaurants.

Without a blueprint for success in front of them, White Castle executives also developed the takeout market by designing a protective carton that was heat-resistant and strong enough to keep the hamburgers, covered by a light and delicate bun, from being crushed in a sack during transport.

Billy Ingram also had the foresight to identify the efficiencies that could be realized by building his own units, and established the Porcelain Steel Building Co. in 1934. Today, White Castle also operates three bakeries, for making their buns, and a meat-processing plant.

A few other adages bandied about the foodservice industry today are "back to the basics" and "do just a few things very well," ideals to which White Castle has adhered for years. During an era of menu proliferation,

BEST-RUN COMPANIES

Strong benefits, promotion from within, family orientation pay off in employee commitment.

White Castle

Headquarters: Columbus, Ohio
Founded: 1921
Chairman: E.W. Ingram Jr.
President: E.W. Ingram III
1983 Units: 176
1988 Units: 237
1983 Sales: $210MM
1988 Sales: $282MM
Average Unit Volume: $1.3MM
Employees: 9,000
Hourly Turnover: N/A
Salaried Turnover: N/A

White Castle has resisted industry fads and continues to rely on a rather basic menu. "We're known for one type of product, we have confidence in that product and we have consciously tried not to blur our image in the minds of our customers," says Bill Ingram III, current president and CEO.

White Castle's simple approach allows for mass production, lower costs and prices. The company believes each additional menu item does harm by dividing the skills and attention of employees. A broader menu also requires additional inventory, storage space and equipment, raising costs and, ultimately, prices.

There is another principle of Billy Ingram's that White Castle has kept alive over the years: "He who owes no money cannot go broke." That explains the company's methodic growth plan. While the company has incurred a small amount of debt, expansion comes, for the most part, from available funds.

"Having little debt makes us more financially sound," says Controller Bill Blake. "We avoid a lot of risk and maintain stability because we don't have to satisfy a steady stream of interest payments."

President Bill Ingram III says the slow growth rate allows the company to implement changes faster than the competition and creates a better balance of available people coming up in the organization, a problem currently running rampant throughout the industry.

Although the company licenses overseas, none of the 237 domestic units are franchised and the company has managed to remain a private concern.

"Larger companies that do other things have their attention easily diverted away from the restaurant business," says Ingram. "We have been able to stay more focused on running a very particular kind of operation.

"You can look around the industry and see a lot of companies that have diversified away from what made them successful in the first place," Ingram adds. "We don't want to fall into that trap."

THE White Castle CODE

Let us all try:

- To do our work well.
- To avoid carelessness that causes unnecessary work for others.
- To learn all we can about what we are doing and why.
- To excel in everything we do.
- To fit into the group and be worthy of the other person's confidence and respect.
- To understand the other person's problems and help him as much as we can.
- To be good housekeepers and take a pride in ourselves and our work.
- To be kind and considerate in our words, thoughts and actions.
- To treat others the way we would like to be treated.
- To have faith in ourselves, in each other, and in the accomplishment of our purpose.

There is certainly some sure way in which men can engage in their several duties in harmony, unity and contentment. So let it be the purpose of each and every one of us to strive to seek to find that way.

Sincerely yours,

Billy

The White Castle Code has translated to average unit volume sales of $1.3 million, surpassing most major chains.

BEST-RUN COMPANIES

RESTAURANTS UNLIMITED

Restaurant employees mind the restaurants, while corporate executives mind the company.

"Our profits are not 'correct' in terms of our sales," says Chairman Rich Komen. "But we will not become bottom-line driven."

Restaurants Unlimited boasts a stack of great service stories higher than Mt. Rainier. A wedding party of 25 showed up at Cutter's in Seattle on a Saturday night without a reservation and was pampered, champagne toast and all. A Simon & Seafort's employee driving to work in Long Beach, Calif., saw a regular lunch customer standing at the bus stop. Since they were both going to the same place, she pulled over and gave him a lift to the restaurant. The staff at another Seattle Cutter's delivered a birthday dinner to a regular customer who had broken his leg.

These stories—published in *Food for Thought*, the company's sporadic in-house newsletter—serve two purposes. First, they provide a public pat on the back for the employees who knock themselves out for customers. Most important, the stories reinforce the company's foremost rule: Act Guest First. "We never say no to customers—we just don't do it," says Ray Lindstrom, president of the Seattle-based company that operates 20 dinner houses in five states.

To make sure that servers never say no, they are given final say over every decision that affects a guest's dining experience. Servers never need managers to approve a decision, not even if it means providing a free meal in exchange for an unsatisfactory one.

In exchange for taking care of customers, Restaurants Unlimited takes care of employees. A solid benefits package includes health and dental coverage, as well as profit sharing, for salaried and hourly employees. No formal employee-assistance program exists, but employees with special needs can seek help through company channels. Employees 21 and over who have worked at the company for at least two years can put up to 10% of their annual income into a pension plan. General managers' salaries depend in part on how well their restaurants perform and how much they contribute to the bottom line. Mystery shoppers help evaluate general managers' performance: Each restaurant has two lunch and two dinner shoppers a month. General managers see every report.

Employees also benefit from a certain spirit that pervades well-run, successful companies. George Theisen, vice president of human resources and a 10-month Restaurants Unlimited veteran, is best qualified to comment on the company's reputation. When Theisen headed up recruiting for Chi-Chi's, he discovered that he could not hire anyone away from Restaurants Unlimited. He also says that the company's spirit reminds him of another restaurant company he worked for: S&A, in the early days, under the leadership of Chili's Chief Executive Norman Brinker.

Delegating responsibility for customers also allows top management—Lindstrom and Chairman Rich Komen—to chart the company's future. The company looks only two years ahead when setting sales, unit and profit goals. Management looks at a five-year horizon with plans that carry more risk, such as major menu renovations and new concepts.

The company's two biggest risks to date have proved not only worth taking but vital to growth. About 10 years ago, management decided to remake two of the then-11 units—classic 1970s theme restaurants—into what Komen calls a "grand cafe" concept, offering good service and good food in a subdued atmosphere. The risk paid off. One of the two restaurants, located in North Seattle on a marginal piece of real estate, posted a 150% sales increase, from $1 million to $2.5 million, the year it was converted.

Restaurants Unlimited took another big chance in December 1985 with Cinnabon, its 60-unit chain of cinnamon-roll bakeries that adds about $25 million to annual sales. Instead of becoming a franchisee of an existing cinnamon-roll chain, the company created its own cinnamon roll and accomplished two objectives. First, the move established the company's presence in

continued on page 72

BEST-RUN COMPANIES

The company wants restaurant managers to take weekends off and to work only 55 hours a week.

continued from page 64

malls, and second, it built a division of the company that could grow through franchising.

Restaurants Unlimited executives have five major plans to enact during the next two years. They plan to start two new concepts: Zoopa, a cafeteria-style soup, salad and sandwich restaurant, and an unnamed casual concept.

Second, even though they say the company is not bottom-line driven, Komen and Lindstrom want to work at increasing profits. "Our profits are fine," explains Komen, "but not 'correct' in terms of our sales." Outside factors are to blame in part. Last year, the minimum wage went up to $4.25 in California and to $3.85 with no tip credit in the state of Washington. Also to blame, ironically, is the company's guest-first policy. Since servers are free to give away meals, drinks and desserts if the situation warrants it, the restaurants probably do not have as tight a rein on food costs as they might. "It's easy to compromise profits in the name of the customer," Komen admits.

The third goal calls for adjusting already-simple store operations to cut down on paperwork and limit managers' schedules to 55 hours a week. "We don't work Saturdays and Sundays: Why should managers?" reasons Lindstrom. Store-level managers already have devised creative ways to break up the work week. At several of the restaurants, dinner managers work lunch on Friday and Monday, and lunch managers work dinner on those two days, meaning both people add an extra half-day to their weekends. Weekend responsibilities are shouldered by other staff members, a policy that allows aspiring managers to gain experience.

Managers believe that achieving this goal will help them achieve another: attracting and retaining good management help. "We've gotten out of touch with the post-baby-boom generation of workers," says Lindstrom. New managers want to work hard, he says, but they also insist that employers give them time for a life outside of work.

Finally, executives want to continue to keep abreast of dining trends and put systems into place that will allow the restaurants to react to these trends. "Our most important role is that of service to the field," explains Theisen. "We cannot get complacent." **R&I**

Company: Restaurants Unlimited
Headquarters: Seattle
Founded: 1969
Chairman: Rich Komen
President: Ray Lindstrom
1983 units: 15 dinner houses
1988 units: 20 dinner houses, 85 Cinnabon cinnamon-roll bakeries
1983 sales: $35MM
1988 sales $81MM
No. of employees: 2,700
Average unit volume: $3MM for full-service; $325,000 for Cinnabon
Hourly turnover: 100%
Salaried turnover: 32%
Mission statement: "To build a growing, financially successful business through increasing sales and excellent profits. This is achieved by living these values: We act Guest First. We deliver high quality food every time at reasonable prices. We give great service and engage each guest. We hire the best and care about them. We are clean!

OTHER WELL-RUN COMPANIES

R&I recognizes the following for their admirable attributes:

Bob Evans Farms: Promotes from within. Down-to-earth management approach, with mid-level management involved in top-level decisions. Top 14 officers have 16-year average tenure.

Eateries Inc.: Through slow growth (one or two units a year), has built successful chain in depressed Oil Patch. Sales increased 227% in past year.

Levy Restaurants Inc.: Philosophies and visions translated by hands-on, top-management team. Levy Legend award worth $1,000 for any employee who goes beyond the call of duty. Sales have doubled to $60 million in past year.

McDonald's: Operates on "risk-reward" principle, preferring that employees try 10 ideas and succeed three times rather than try only three ideas.

Pizza Hut: Creates opportunities for minorities by signing over plum company territories to minority franchisees.

Red Lobster: Sends employees through four-day training program before opening a restaurant. Encourages servers to "bend the rules."

Restaurant Associates: Never forgets that satisfied customers are the only basis for success. Attributes financial success to prudent diversification. Lets individual businesses run themselves.

ACTION EXPRESS

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
AMCO Corporation (p.203)	82
Adamation (p.201)	84
Alaska Seafood Marketing Institute/Salmon (p.176-177)	66
Allen Canning (p.110-111)	33
Alto-Shaam, Inc. (p.141-144)	45,46,47
American Dairy Association (p.158-159)	59
American Permanent Ware, Inc. (p.193)	74
American Wyott, Inc. (p.195)	75
Atlantic Chemco Corp. (p.211)	94
Atlantic Queen (p.179)	67
Bakers Pride (p.199)	78
Beef Industry Council (p.113-115)	34
Blue Diamond Growers (p.132)	42
Borden Foodservice Eagle Brand (p.45)	16
Buffalo China, Inc. (p.147)	48
Calavo Foods, Inc. (p.36-37,39,42)	12,13,15
Calavo Growers of California (p.40-41)	14
California Avocado Commission (p.186-187)	71
Cambro Mfg. Co. (p.80-83)	23,24,25,26
Carnation Co., Foodservice (p.160-163)	60
Chicago Mercantile Exchange (p.27)	8
Classified Advertising (p.212-220)	
Coldelite Corp. of America (p.208)	88
Coldwater Seafood Corp. (p.172-173)	64
Commercial Aluminum Cookware Co. (p.205)	85
Continental Coffee Prod. (p.IBC)	97
Cookshack, Inc. (p.204)	83
Cryovac Div., W.R. Grace & Co. (p.102-A-102-F)	99
Culligan U.S.A. (p.89)	101
Del Monte Foodservice (p.76-77)	
Delta Pride Catfish (p.175)	65
Dixie Crystals/Savannah Food & Industries, Inc. (p.182-183)	69
The Drackett Products Co. (p.91)	27
Durkee Foodservice Group (p.73)	2
Durkee-French Foods, Inc. (p.109)	
Equal Low Calorie Sweetner (p.92-93,95)	28,29
Equip' Hotel (p.206)	86
Fishery Products, Inc. (p.180-181)	68
Florida Dept. of Citrus (p.190-191)	
Follett Corporation (p.189)	73
Genpak Corp. (p.207)	87
Georgia Pacific (p.26)	41
Giles Enterprises, Inc. (p.209)	101
Heinz Co., H. J. (p.22-25)	6
Hills Bros. (p.21)	5
Holly Farms Foods, Inc. (p.196-197)	76
Hunt-Wesson Foodservice Div. (p.11-14)	3
Iceland Seafood Corp. (p.68-71)	19,20
John Morrell (p.117)	103
Karp & Sons, L. (p.103)	30
Kellogg Company (p.151)	
Kronos-Central Prods., Inc. (p.138)	121
Lancaster Colony Commercial Products (p.211)	96
Libbey Glass Foodservice, Libbey Glass Div. (p.35)	11
McCormick/Schilling (p.106-107)	31-32
Marine Resources (p.200)	79
Minor Corp., L.J. (p.17)	
Minute Maid Foodservice Group, a division of Coca Cola Foods (p.8,96-97)	
Molded Fiber Glass Tray Co. (p.211)	95
National Coffee Assn of U.S.A. Inc. (p.151,153,155,157)	54
Nestle Company, Inc. Coffee (p.153,155,157)	56,57,58

continued on page 221

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave. P.O. Box 5080 Des Plaines IL 60017-5080 Phone 312/635-8800

Cahners Publishing Company. A Division of Reed Publishing USA. Specialized Business Magazines for Building & Construction Manufacturing Foodservice & Lodging Electronics & Computers Interior Design Printing Publishing Industrial Research & Technology Health Care Entertainment Specialized Consumer Magazines American Baby Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA. Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290, and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

June 12, 1989 Not Filmed

JUNE

26

1989

EXCLUSIVE: 25 SURE-FIRE SUCCESS-PROVEN PROMOTIONS....48

Taste: "New Florida" menus feature ethnic diversity...88

Chains: Who's winning the battle for Manhattan?.....113

Food: Put a dash of sunshine in your recipe file.......150

Marketing ideas for alcohol-free drinks 168

A Cahners publication serving the total foodservice industry

®RESTAURANTS & INSTITUTIONS

FLORIDA GROUPER
WITH FANCY DECORATIONS

JUNE 26, 1989

CONTENTS

VOL. 99 NO. 17

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

Demographic changes and implications for the 1990s 11
Operations in this issue 11

VIEWPOINT

The rap on Florida 16

R&I FORUM

Letters 22

R&I REPORT

Industry Issues: Lobbying—not a one-man job 26
Food Costs: Industry still feels effect of drought 32
Purchasing: Operators strive to get money's worth 38
Economic Experts: Consumers equivocal on nutrition issue 40

R&I SCENE

People, Places & Promos 42
Personal Glimpse: Al Lewis 44

R&I EXCLUSIVE

Idea File: Winning promotions 48

MENUS

Menu Concepts: Dock's seafood menu reels in customers 81
Menu Census: Fish 84

TASTE

Regional Trends: Food from paradise 88
Previewing: Menu makers 110

CHAIN DIGEST

Expansion Strategies: High volume offsets high costs in Manhattan market 113

LIQUID ASSETS

Merchandising: Liqueurs extend a cordial welcome to customers 137

EQUIPMENT

Systems: Drink dispensers satisfy a big thirst for profits 145

FOOD

Regional Cuisine: Recipes from Florida 150
Healthline: Use facts about fiber to help fix customers' diets 162
Healthline: "Ph.D." program wins health award 164
Marketing Strategies: Brewing better business 166

MARKETPLACE

Menu Merchandising: Mixed drinks with a different twist 168
Alcohol-Free Beverage Products 174
Menu Merchandising: Put the chill on soup for hot summer days 180
Chilled Soup Products 186
Buyers Mart: Products 193

ET CETERA

Supply Side 224

CLASSIFIED ADS

Buying, selling, changing jobs 230

ACTION EXPRESS

For more information about products 238

ADVERTISERS INDEX

Where to find ads in this issue 238

READER SERVICE CARD

To send for more information 239

■ ECONOMIC EXPERTS

Consumers Equivocal on Nutrition Issue

Knowledge about proper diet grows, but poor eating habits persist.

Taste preferences and food consumption habits change over time, and the foodservice industry has been both a leader and follower of these trends. Today's major question is whether consumers have become more health-conscious in what they choose to eat.

The answer to this question, unfortunately, is not clear cut. Although many consumers are more knowledgeable about nutritional requirements and try to eat properly, the demands on time and need for convenience seem to be tugging the consumer in both directions at once.

In 1987, the average American ate 237 pounds of meat, poultry and fish—up from 228 pounds in 1977, according to U.S. Department of Agriculture statistics. But during this period, consumption moved more towards poultry and fish, and away from fattier meat products. Consumption of red meat actually fell by 18.2 pounds (11%) from 1977-1987, while poultry consumption grew by 24.9 pounds (47%), and fish consumption grew by 2.7 pounds (21%).

Still, red meat continues to constitute 61% of the total pounds consumed by the average American (down from a peak of 74% in 1968, and down from 71% in 1977). Poultry, on the other hand, is now 33% of consumption for center-of-the-plate items, up from 23% in 1977. Fish and shellfish consumption continues to lag far behind, with just 6.5% of the total (up from 5.6% in 1977).

At the same time, per capita consumption of dairy products—most of which are high in saturated fats—has increased from an average of 542 pounds in the 1975-79 period to 598 pounds in 1987, an increase of 56 pounds (10%). Other news: Consumption has grown 18% to 63 pounds per person for fats and oils, a whopping 188% to 19 pounds per person for sugar substitutes, and 18% (since 1977) to 12 pounds per person for coffee and tea products.

In addition, consumers are eating more fresh fruit and fresh vegetables. Per capita consumption of fresh vegetables was up 15% between 1977 and 1987, and consumption of fresh fruit was up 25%. Similarly, per capita consumption of eggs has is down 7%, to 32 pounds per person, since 1977.

Overall, consumers are a bit schizophrenic about their eating habits, although the trend for major product categories seems to be towards more healthful eating. It will be a long time before consumers are willing to give up good living for a longer life. —***Kim Kennedy***

From 1977 to 1987, consumption of fresh fruits and vegetables increased about 20%.

CONSUMER EATING HABITS

From 1977 to 1987 consumers ate more:

Low-cal sweeteners	**+188%**
Poultry	**+ 47**
Low-fat milk	**+ 40**
Fresh fruit	**+ 25**
Fish and shellfish	**+ 21**

From 1977 to 1987 consumers ate less:

Whole milk	**−38%**
Refined sugar	**−34**
Processed fruit	**−12**
Red meat	**−11**
Eggs	**− 7**

Source U.S. Department of Agriculture

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; Charles E. Moodhe, Senior Vice President/General Manager; Peter T. Orsi, Senior Vice President; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publishing Director; Jane Young Wallace, Vice President/Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Corinne Zollars, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

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ADVERTISING INDEX

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Advertiser	Inquiry No.
Adamation (p.222)	84
Alaska Seafood Marketing Institute, Whitefish (p.178-179)	65
Allen Canning (p.28-29)	12
Alto-Shaam, Inc. (p.139-142)	49,51,52,53
American Dairy Association (p.210-211)	77
Anheuser-Busch, Inc., Carlsberg (p.136)	48
Atlantic Chemco Corp. (p.227)	91
Australian Meat and Livestock Corp. (p.76,77)	27,28
B.C. Rogers Poultry (p.226-F)	106
Basic American Foods (p.185,187)	67,68
Beef Industry Council (p.153-155)	57
Bellsouth Services (p.14)	4
Bud of California, From Dole (p.205)	74
Buffalo China, Inc. (p.217)	82
Calavo Foods, Inc. (p.34-35)	15
Calavo Growers of California (p.36-37)	16
California Avocado Commission (p.198-199)	103
Cambro Mfg. Co. (p.82-83)	30,31
Carnation Co., Foodservice (p.148-149)	56
Classified Advertising (p.230-235)	
Clear Springs Trout (p.94-95)	34
Coco Lopez (p.160)	59
Continental Coffee Products (p.IBC)	101
Cryovac Div., W.R. Grace & Co. (p.229)	96
Custom Foods (p.78-79)	29
Del Monte Foodservice (p.188-189)	
Delta Pride Catfish (p.223)	86
Dole Packaged Foods (p.4)	
Dolewhip (p.221)	
Dormont Mfg. Co. (p.227)	89
The Drackett Products Co. (p.201-203)	73
Durkee Foodservice Group (p.52-53)	23
Equal Low Calorie Sweetner (p.114-115,117)	45,46
Farmland Foods, Inc. (p.39,41,43,45)	20
Fishery Products, Inc. (p.156-157)	58
Florida Department of Citrus (p.225)	
General Foods Corp., Beverages (p.207,209)	75,76
General Foods Corp., Boboli (p.135)	47
General Foods, Open Pit (p.97,99)	35
General Mills, Foodservice Div. (p.92-93)	33
Georgia Pacific (p.215)	79
Hatco Corp. (p.144)	54
Heinz Co., H. J. (p.18-19)	8
Hills Bros. (p.175)	63
Hillshire Farms (p.213)	78
Hormel & Co., George A (p.182-183)	66
Hunt-Wesson Foodservice Div. (p.7-10)	6
Iceland Seafood Corp. (p.72-75)	25,26
Imperial Ca (p.229)	99
Jennie-O-Foods, Inc. (p.112)	44
Jiffy Mixer (p.228)	98
John Morrell (p.219)	83
Libbey Glass Foodservice, Libbey Glass Div. (p.33)	14
Liquid Packaging (p.228)	94
Little Charlies Entree Division (p.159)	80
McCormick/Schilling (p.108-109)	38,39
Minor Corp., L.J. (p.17)	
Minute Maid Foodservice Group, a division of Coca Cola Foods (p.23)	

continued from page 236

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RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone 312/635-8800
Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address.

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Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $*89.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290, and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

McDONALD'S: COMPANY OF THE QUARTER CENTURY

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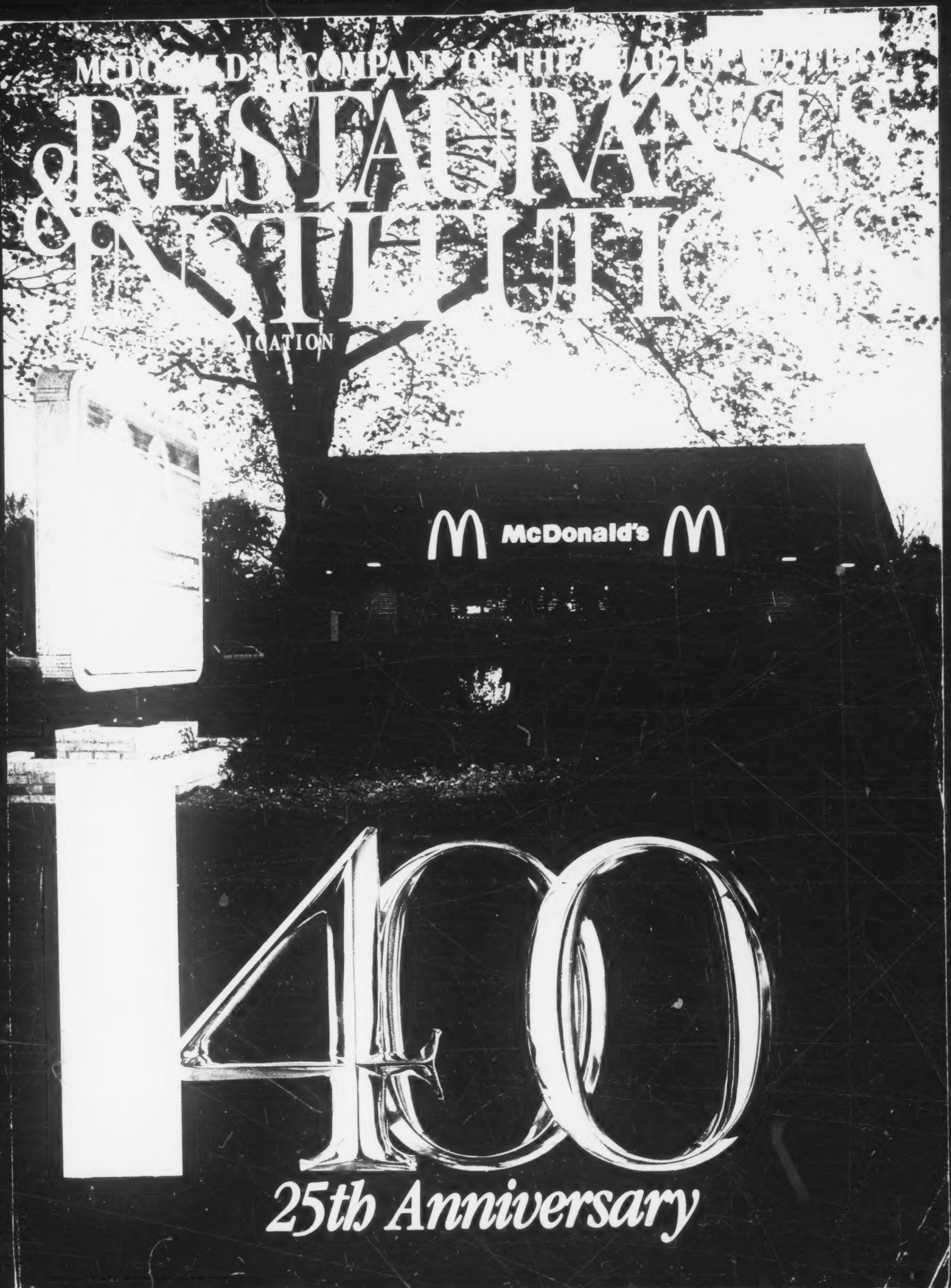

400

25th Anniversary

JULY 10, 1989

BRIEFINGS

400

R&I EXCLUSIVE INTERVIEW: McDONALD'S

Only three times since its founding by Ray Kroc in 1954 has McDonald's Corp. granted wide-ranging interviews to the foodservice press. All three times, it was with *Restaurants & Institutions*. Once again, for this 25th Anniversary issue, McDonald's has opened its doors to *R&I* editors, who hold them open for you to take a close look at the company that for the past quarter century has done the most to build and define this industry and give it worldwide respectability. *R&I* editors interviewed 17 executives, including Edward Rensi, president and chief operating officer (l.), and discuss marketing and operations, franchising, new products and expansion plans of the company. We asked this unique global marketer where it sees itself heading into the 1990s. They gave us the franchise to tell their story . . . the whole story. It begins in this issue . . .

R&I Exclusive on page 32.

25
YEARS

■ SILVER SERVICE

In the quarter century of its existence, the "400" has made news and caused controversy. It has helped institutional operators fight for funding and given entrepreneurs a goal to reach for. But most of all, it has chronicled the good times and the bad that foodservice has enjoyed and endured. We travel in time from 1965 to today, tracking the winners and losers and financial moves of the "400."

Retrospective on page 22.

■ NEW "400" RANKING

For 24 years, *R&I* used parent companies as the basis for our ranking of the foodservice giants. This year we are breaking out parent companies to show restaurant brands. We also created separate rankings for franchisees and for purchasing groups that do not run foodservice operations.

Story on page 72.

■ FINANCIAL HEALTH

It was a year of the LBO, the takeover and spinoff. It was a breakup, rather than a makeup, year for most large companies. But if corporate moves in '88 pay off and operating strategies stay solidly in place, the richer will get richer and more powerful. A large contributor to one company's success was the acquisition of Chi-Chi's by Foodmaker.

Story on page 170.

■ FRANCHISING

The franchising front saw a new trend—the acquisition of major company-owned systems converting to franchised operations. A continuing trend is the cry of disenchanted franchisees for more freedom to grow. *R&I* focuses on Collins International Foods.

Story on page 176.

RESTAURANTS & INSTITUTIONS

VOL. 99 NO. 18

COMMENTS

25 years of the "400" 6

VIEWPOINT

The McEquation: Part II 11

R&I FORUM

Reader's Opinion: The unit measurement 14

RETROSPECTIVE

25th anniversary of the "400" 22
Timeline: 1965 to 1989 26

EXCLUSIVE

McDonald's: Company of the quarter century 32

OVERVIEW

Leaders opt for conservative growth 64
Sales of the "400" companies 65
Who has the power? 65
"400" segment share 65
"400"—the old way 66
"400" growth 66

RANKING

Rules of the ranking 72
"400" Rankings: McDonald's to Cinnabon 73

GROWTH LEADERS

Market penetration brings big sales gains (profiled: Everything Yogurt Inc.) 156
Top 20 growth companies by percentage of sales gain 158
Top 15 growth companies by absolute dollar gain 158

FAMILY TREES

Restaurant companies strengthen family ties (profiled: American Restaurant Group) 162
Parent companies and their concepts 164

OWNERSHIP

Divestitures dominate year's financial news (profiled: Foodmaker Inc.) 170

FRANCHISEES

Franchisees ask to be treated like partners (profiled: Collins Foods International Inc.) 176
Leading franchisees 178

PURCHASING

Groups engineer food and equipment savings (profiled: Unicare) 188
Leading purchasing groups 190

COMPANY INDEX

An alphabetical listing of the "400" 199

MARKETPLACE

Buyers Mart: Products 221

CLASSIFIED ADS

Buying, selling, changing jobs 236

ACTION EXPRESS

For more information about products 246

ADVERTISING INDEX

Where to find ads in this issue 246

READER SERVICE CARD

To send for more information 247

Foodservice Energy News, a service of the American Gas Association, follows page 208.

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

400
RESTAURANTS & INSTITUTIONS
400
400
RESTAURANTS & INSTITUTIONS
1981
The 17th Annual '400'
Report I: Business and Finance
400

For 25 years, *R&I* covers have celebrated the "400" and foodservice.

RETROSPECTIVE

25th

ANNIVERSARY OF THE

400

RESTAURANTS & INSTITUTIONS

"The unknown has been charted. The realm has been defined. Here, for the first time, the nation's fourth-largest industry has been given form and dimension. . . . The Four Hundred represents success taken to the 400th power, where tiny errors become grotesque, and sheer size can multiply a good idea into a fortune. This is the power structure at the top of the pyramid."

That was the way it all began back in July 1965. For the first time, the editors of *R&I* had researched and ranked the 400 biggest organizations in foodservice/lodging.

In the process, they created a new industry—one destined for amazing growth in an astonishingly short period of time.

In 1965, the total combined sales of all the "400" organizations were slightly more than $8 billion—just half the 1989 sales of McDonald's alone.

In 1989's "400," there are 21 billion-dollar babies. In 1965, there were none. But among the top 10 companies whose sales *R&I* reported in 1965, the editors found a five-and-ten-cent store that was a $132 million baby: F.W. Woolworth.

Of the seven five-and-dime stores listed in that first "400," only Woolworth and McCrory Stores still exist in the listing.

But there also have been astonishing successes. Witness the rise of companies such as Little Caesars, Subway and Domino's that came from nowhere and have ended up as members of the exclusive "400" billion-dollar club.

In addition to new companies, new concepts have reshaped the "400":

□ Looming large over the past decade are the foodservice-management contractors. As hospitals, colleges, airlines and other businesses have become disenchanted with operating their own foodservices, the contractors have prospered.

□ Concern for health and nutrition has contributed to sales at chains such as El Pollo Loco, Benihana, TCBY, Legal Sea Foods and Rusty Pelican. But the now-gone D'Lite's reminds us that health and nutrition alone are not enough to sustain a "400" company.

□ A public in the grip of a nostalgia boom has created a new niche for down-home, comfort-food concepts such as Grandy's and PoFolks, as well as for ice cream and cookie chains.

□ Pizza chains have been listed in the "400" since its inception. But today's rediscovery of a taste for Italian cuisine now also has resulted in the success of a flourishing new chain, General Mills' Olive Garden.

For 25 years *R&I* has chronicled the progress of the "400," watching company after company transform a good idea into a fortune.

□ In one sense, upscale Italian concepts have simply imitated what happened in the Mexican segment when chains such as Chi-Chi's joined Taco Bell in the "400" ranking.

□ Filling the void left when traditional fast-food stores vacated the lower-end niche, convenience stores such as 7-Eleven have become major players.

□ Philosophical heirs of the early Gilbert-Robinson concepts, companies such as Lettuce Entertain You and Levy Restaurants, operate units that look and operate like independent restaurants.

Of course, no look at the "400" would be complete without a comment on mergers and acquisitions. While we might think that this is purely an '80s phenomenon, the truth is that "400" companies have been buying and selling each other since the beginning.

In the early '70s, food companies and unrelated industry groups, such as LTV, strove to make a quick return by purchasing fast-food chains. Rather than diversification, the goal of today's merger mania is streamlining. More accurately, we can call it mergers and divestitures—seller-powered transactions that enable one company to take over another for its real estate or to sell off its assets. General Mills' sale of York's and Grand Met's sale of S&A Restaurant Corp. are examples.

In the last analysis, the best testimony to the strength of the "400" and the foodservice industry that it chronicles are those timeless companies that face the future with 25 years or more of experience under their belts. Listed in this Silver Anniversary "400" are more than 80 companies and institutions doing business under the same name that was listed in the first "400."

In the quarter-century of its existence, the "400" has made news and caused controversy among CEOs and financial analysts. It has helped institutional operators fight for funding. It has given entrepreneurs a goal.

But most of all, it has chronicled the good and bad times that foodservice has enjoyed and endured over the past quarter-century. On the pages that follow, *R&I*'s editors invite you to join them in traveling back in time to those wonderful days when only 21 members of the "400" were publicly held companies, most chains were hotels, and the military dominated institutional operations.

The more things change, you will find, the more the "400" companies change to meet the challenges.

—Jane Young Wallace

RETROSPECTIVE

TIME

☐ **1965** With combined purchasing clout of $1.4 billion, government foodservices—military and school lunch—dominated the first "400's" ranking. There were, however, also private enterprises among the top 10: Howard Johnson, Big Boy drive-ins, ARA, F.W. Woolworth and McDonald's. (Five offspring chains of fourth-ranking Big Boy's chubby symbol also made it into the first "400") . . . ARA had 120 salesmen in the field negotiating contracts with B&I, colleges, hospitals . . . 10th-place McDonald's, with 688 units and $130 million in sales, had just gone public on both the stock market and TV.

☐ **1966** Companies jump on the franchising bandwagon; investors stand in line for a piece of the action . . . Norm Brinker opens Steak & Ale . . . Vietnam build-up pushes military volume to new heights . . . Social consciousness appears in the form of Headstart and school breakfast programs . . . Inter-Continental pierces the Iron Curtain with a hotel contract in Hungary . . . Southland's 7-Eleven units sold 150 million Slurpees . . . McDonald's adds a fish sandwich.

☐ **1967** Conglomerate is added to the foodservice business lexicon as Litton Industries and Stouffer begin a stormy relationship . . . Others playing the merger game: Pillsbury/Burger King; Baskin Robbins and TWA/Hilton; Marriott buys Bob Wian's Big Boy rights; Jack In The Box joins Foodmaker . . . The 15-cent hamburger goes the way of the 5-cent phone call—McDonald's raises price to 18 cents . . . KFC grows by $101 million in one year.

☐ **1968** Wall St. declares us a glamour industry—stocks skyrocket 75%, with 49 stocks advancing more than 165% . . . Celebrities play the "400" game—Roy Rogers, Eddy Arnold, Howard Hughes, Mahalia Jackson . . . Acquisition by conglomerates makes news—ITT/Sheraton; Ralston Purina/Foodmaker; General Foods/Burger Chef; Amfac/Fred Harvey; . . . Campus building boom bigger than ever.

☐ **1969** Government questions franchise practices . . . Mergers and acquisitions take place within the industry . . . schools move deeper into community feeding projects and day-care centers . . . Big Mac makes a debut to compete with the Whopper and Big Boy . . . The Holiday Inn sign stops traffic in far-flung Bangkok and Durban (S. Africa) . . . Saga Administration Corp. acquires Straw Hat Pizza and Pizza Palace . . . Bowling is profitable this year for Brunswick Corp. . . . ARA has a new public restaurant division on the drawing boards.

☐ **1970** The top 25 companies are larger than the entire "400" in its first year . . . Volume leaps on the institutional side, with ¼ of the top 25 institutional organizations . . . USDA school-lunch volume up $250 million as a result of free and reduced-price meals; begins giving dollars to local systems . . . New ruling allows contractors into school operations . . . KFC opens first Tokyo outlet . . . Stock industry index falls.

☐ **1971** Money is tight all over. Idealism confronts harsh reality as institutional budgets pinch and state tax money runs short . . . On the commercial side, top executives in 31 of the "400" companies resign or are fired . . . Bankruptcy and Chapter 11s hit some members of the "400" for the first time . . . Heublein begins talks with KFC in one of the last big outsider buys . . . First rumbling of hotel overbuilding as occupancies slip, room rates rise . . . But industry stocks turn up, once again leading the Dow . . . Holiday Inns become first billion-dollar foodservice/lodging combine.

☐ **1972** New blood enters the "400" for the first time, growth at the bottom is

McDonald's
DRIVE-THRU
TACO BELL

LINE

greater than at the top . . . Family dining and health care are the new "in" markets and Wall St. discovers the concept restaurant . . . Cutbacks hit government institutions. Vietnam wind down reflects in military volume as food purchases drop 30% . . . General Foods writes off $47 million Burger Chef loss (purchased in 1969); Pet writes off $5 million Schraffts and Stuckeys operations . . . Chicken Delight ruling changes way franchisees purchase.

☐ **1973** Gilbert-Robinson fields Houlihan's concept . . . KFC and McDonald's report sales of over $1 billion . . . Merger fever hits the "400's" middle, with mini-chains growing out of franchisee combines . . . but spin-offs continue as Litton sells Stouffers to Nestle . . . Budget motels make first "400" appearance . . . Leisure and health care still growing . . . Marriott acquires a cruise ship division and develops $65 million "Great America" family entertainment center.

☐ **1974** USDA and the Army surrender rank to McDonald's #1 and KFC's #2. Hotel/motel expansion plans at standstill as energy crisis hits; hotels develop new respect for food & beverage profits . . . Department stores show big growth; switch to specialty snack bars, limited-menu service . . . No resistance to higher room and board rates from students flocking back to campus . . . Victoria Station, Cafeterias Inc., Hungry Tiger, Calny Foods and handful of Big Boy franchisees are now public companies. The "400" ends its first decade: All "400" companies account for a volume as great as that of the entire foodservice industry.

☐ **1975** Controversy over fast food in schools heats up . . . Cost of doing business gives fine-dining establishments indigestion, food costs up 21%, labor costs up more than 15% . . . Prodded by tight money, hotel chains like management contracts which free capital. Healthcare firms consider this tactic . . . McDonald's is still #1. Moving into the top 10 in 10 years—Marriott, Holiday Inns, KFC, Dairy Queen and Burger King . . . Energy conservation major industry issue.

☐ **1976** This year sees the passing of the venerable old-line Royal Castle and the rebirth of American News (Ancorp), one of the original top 25 in the "400" . . . A hospital purchasing co-op establishes a foothold in the "400" . . . Recession took its toll in flat lodging sales growth, yet Morrison and Associated Hosts have cash to increase expansion . . . Hospitality Motor Inns adds recreation and seafood . . . Wendy's, new to the "400", put on "weight—grew from #213 in '75, to #102.

☐ **1977** Acquisitions and mergers reshape the "400". Stouffer's acquires Borel; Carlson Co. (which owns Radisson) combines with TGI Friday's; Steak & Ale joins the Pillsbury group; Dog n Suds went to Frostie Enterprises . . . Ponderosa, Straw Hat Pizza, Whataburger, Cassano's resumed expansion through franchising . . . Adventists Hospitals became the largest new entry ever in the ""400"." Its $140 million commercial equivalent places it at #58 . . . Salad bars sweep the country; a wave of fast-seafood concepts follow the successful launch of Long John Silver. What's next? Gilbert-Robinson votes Mexican with Annie's Santa Fe.

☐ **1978** Best year since '68 . . . Five billion-dollar babies in the "400"—McDonald's, KFC, USDA, Marriott and Pillsbury . . . Acquisition acts include those of Arby's and Royal Crown, Green Giant and Hoffman House, TraveLodge and Knott Hotels . . . Pepsi begins negotiations with Pizza Hut . . . Taco chains hot new ticket . . . Broad-based management contractor, Gladieux, goes public . . . U.S. hotel firms have lion's share of Midwest lodg-

25
YEARS

TELECONFERENCE
TONIGHT
WELCOME HBC

RETROSPECTIVE

TIME LINE

ing . . . Servomation likes the potential of elderly-feeding and child-nutrition programs . . . Unions single out foodservice for special attention . . . Food activists call for a ban on all "junk" foods.

☐ **1979** Wall St. urges good companies to go public—Wendy's and Cafeterias, Inc. do . . . Already on the board, American Medicorp has the greatest stock-price increase, 172%, followed by La Quinta Hotels at 163% . . . W.R. Grace weds Gilbert-Robinson while engaged in joint venture with Del Taco . . . Sambo's and Sizzler into solar-heating systems . . . Newcomer Godfather's fastest growing concept . . . Day-care and Title VII programs for the elderly expand responsibilities for schools . . . "400" sales equal 45% of U.S. foodservice market and nine billion-dollar companies lead the industry.

☐ **1980** J.C. Penney becomes European franchisee of Wendy's; Trans World Corp. becomes a Hardee's franchisee with purchase of Spartan Foods . . . LJS, Sonic, Dunkin' Donuts, Sambo's, Jack In The Box and Big Boy open their 1,000th units . . . Prisoners get life from daily servings of fresh salads . . . Among growth leaders is Pioneer Take-Out . . . Hershey Foods Corp. sweet on Friendly Ice Cream Corp . . . Wienerwald acquires Lums, then a controlling interest in IHOP . . . Humana health-care registers largest sales gain in the "400."

☐ **1981** Ponderosa and Steak 'n Shake take a beating on Wall St. but Bob Evans reports a dividend increase . . . Popeyes, Rax, Domino's and Frontier Enterprises are among sales growth leaders in commercial ranks . . . In institutional ranks, growth leaders are Northwest Airlines, Los Angeles County Schools, Hospital Dietary Services . . . Though '80 was the worst year in its history in terms of % of growth, the "400" still performing better than the industry as a whole.

☐ **1982** Intl. Dairy Queen joins the billion-dollar club . . . General Mills adds The Good Earth healthful-food chain and Darryl's nostalgic theme restaurants. Health-food concepts, an extension of the salad bar, are tried by Hilton, ARA and Interstate United . . . Subway adds salads to sandwich menu—sales jump 33% . . . Beatrice Foods loses in its bid for Bob Evans; Imasco wins Hardee's; Imperial adds Howard Johnson.

☐ **1983** "400" moves cautiously toward renewal of its former vigor—sales climb 12.3% . . . Chi-Chi's and Grandy's contribute to growth . . . Burger Chef and Hardee's merge; Marriott acquires Gino's and Host Intl. . . . Video games score with customers . . . Pizza Time Theater and Show Biz Pizza entertain the kids, the latter with a 109% sales gain in a year . . . The Burger War is declared . . . John Teets, new CEO of Greyhound, will stun the transportation and franchise world—he'll ditch buses and Post Houses for fast food.

☐ **1984** Wienerwald sells American holdings; Quaker sells Magic Pan; Marriott sells Farrells and 108 Rustlers units . . . On the other hand, VICORP buys Poppin' Fresh from Pillsbury; Golden Corral owns Sirloin Stockade; Saga acquires Grandy's, and a PoFolks deal "Krystalizes" . . . Budget cutbacks hurt USDA school foodservice . . . Wendy's cry of "Where's the beef?" heard throughout the land; a lot of it was in the new gourmet burger.

☐ **1985** A sales leap of 139% catapults Kelly-Johnston (Duff's, etc.) in ranking . . . The Riese Corp. to develop 300 new restaurants . . . White Castle's mail-order sliders become a cult item . . . Chart House Godfather marriage gives birth to Diversafoods (BK franchisee, Luther's BBQ, et. al.) . . . Shoney's secedes from Big Boy system . . . Baby boomlet adds to preschool populations; Morrison explores Lifecare . . . Combined sales of "400" surpass 50% of the total industry sales . . . McDonald's first "400" company to top $10 billion annual sales.

☐ **1986** Howard Johnson likely buyout candidate . . . Marriott buys Service Systems from R.J. Reynolds and B&I contracts from Gladieux . . . Saga buys Spectrum Foods . . . General Mills looking for buyers of its Casa Gallardo, Darryl's and Good Earth . . . Disney and TWA are targets for corporate raiders, while Hilton and Jerrico have poison-pill provisions . . . Chicken nuggets are gold and home delivery rings a bell.

☐ **1987** Red Lobster largest dinner-house chain with 386 units; Olive Garden is planted . . . Taco Bell is #1 Mexican chain; Ryan's Steak House grows a meaty 67% . . . Merge of Macke and Servomation makes a billion dollar #19 in the "400" . . . Contract foodservice generates 62% of revenues for Saga . . . AUV for Legal Seafood units is $6 million; $3.7 million for Melman Collins Ed Debevic's . . . Burger King adds Chicken Tenders . . . Not responding to the Burger Wars but to public tastes, McDonald's blows everyone away with McD.L.T.

☐ **1988** Pepsi's acquisition of KFC moves it into #2 spot, unseating Pillsbury. PepsiCo's holding of 14,811 outnumbers McDonald's 9,410 units . . . The "400" up and over the $100 billion mark . . . Little Caesars hot new "400" chain, sales up 415%, units up 375% since 1982 . . . Looking for new sources of revenue, Hospital Corp. of America emphasizing outpatient and home-care services . . . ARA purchases Szabo; Morrison buys Custom Mgmt. . . . Institutions become major players in fast food. McDonald's places healthful food ads in news and women's magazines; Rome unit rings up $5 million in sales.

☐ **1989** . . . the past is prologue. The present is a time of cautious regrouping. "Back to basics" philosophy has almost run its course; the time for radical innovation is fast approaching. In retrospect, the problems of the imperfect present will seem insignificant. For foodservice today, as in the past, a promising future awaits.

—Audrey Garvey

400: EXCLUSIVE

McDONALD'S

"We worry as much about a single french fry as some companies worry about financial ratios." —Ed Rensi, chief operating officer

This special report is the first of two articles based on interviews with McDonald's executives, franchisees and restaurant managers.

By Lisa Bertagnoli

COMPANY OF THE QUARTER CENTURY

It is the colossus of the foodservice industry. Its corporate name is the fifth best-known in the world. It feeds 22 million people a day, using millions of pounds of product, and if it ever rolled out shrimp salad, it could consume half the world's harvest of tiny shrimp. It courts investors from all corners of the earth. Its spokesman is a clown, its principal business is selling burgers, and its contribution to the English language is the ubiquitous prefix "Mc." In sum, McDonald's Corporation is an extraordinary 20th-century phenomenon.

In today's business climate, it is rare for one company to completely dominate an industry. Yet, in the same way that Disney reigns over the entertainment business and Coca-Cola commands the international soft-drink market, McDonald's leads the restaurant industry.

The burger chain's 1988 sales were $16.1 billion, more than those of its nearest three competitors combined. McDonald's spent $1 billion on advertising and marketing last year, more than most chains' total receipts for the year. The corporation's financial strength prompted Wall Street to take it out of the realm of foodservice in 1985, listing it as one of the Dow Jones 30 Industrial stocks.

And McDonald's keeps growing. Despite its base of nearly 11,000 restaurants, the chain plans to open another 600 to 650 restaurants this year, 60% of which will be in the United States. "Saturation applies to our competitors, not to us," said Chief Executive Officer Michael Quinlan at the annual shareholders meeting. McDonald's has been building an international presence since opening its first Canadian restaurant in 1967; the chain's overseas restaurants contributed $4.7 billion to sales last year.

How did McDonald's amass such a strong lead, especially considering that its competition such as Burger King, Kentucky Fried Chicken and Dairy Queen—all were born during the same decade? To find out, *Restaurants & Institutions* interviewed McDonald's executives at their home office in Oak Brook, Ill., and visited franchisees at their restaurants.

McDonald's executives say sticking to Founder Ray Kroc's Q.S.C. & V. formula—quality, service, cleanliness and value—keeps them far ahead in the foodservice game. "We worry about a single french fry and a 10 to 1 hamburger patty as much as most companies worry about financial ratios," says Ed Rensi, chief operating officer and 23-year McDonald's veteran. All 500,000 employees, from the store level to the home office, are grilled on Kroc's success formula.

But while executives tend to fall back on PR platitudes, there is nothing commonplace or trite about the business underpinnings of the corporation. Early in its history, McDonald's laid the foundation for later success by taking a revolutionary approach to four basic areas of the business: franchising, menu development, supplier relations and financial planning. These mechanisms allow McDonald's to maintain consistency of quality—the heart of all successful chains. "As Ray Kroc said," echoes Rensi, "we take the hamburger business more seriously than anybody else."

McDonald's owner-operators, who run 78% of the restaurants in the system, take hamburgers as seriously as McDonald's executives do. The chain's 2,700 licensees, 54% of which are minorities or women, contributed $10.2 billion to sales last year. The average number of restaurants per licensee is 3.1. Most McDonald's licensees are well off; more than a few are millionaires.

McDONALD'S MILESTONES

1961: Kroc buys the McDonald's name from the McDonald brothers.

1965: Company goes public in over-the-counter offering at $22.50 per share.

1966: McDonald's listed on New York Stock Exchange.

1967: First McDonald's outside U.S. opens in Canada.

1968: Big Mac rolled systemwide. Fred Turner named president.

1972: 10 billionth burger sold.

1973: Systemwide sales hit $1 billion.

1975: McDonald's opens in London and Hong Kong.

1977: Fred Turner named chairman and CEO.

1983: 50 billionth burger sold.

1987: Mike Quinlan named CEO.

1988: 10,000th unit opens. 70 billionth burger sold.

400: EXCLUSIVE

continued from page 33

McDonald's keeps franchisees motivated by doling out new units to those who best follow Q.S.C. & V.

Because of this, a McDonald's franchise is the most coveted in the restaurant business. More than 2,000 people apply for a franchise each year: there are now about 350 hopefuls in the two-year training program. These people, 48% of whom are minorities, will train without pay for at least two years, invest $575,000 in the restaurant, and pay 12% of gross sales to McDonald's. Most franchisees follow the corporation's example and reinvest about 30% of profits in the business.

Ironically, back in the '50s, a McDonald's franchise was one of the least expensive in the industry. But there was a catch. While building McDonald's, Kroc and Fred Turner—then Kroc's right-hand man and now chairman—struggled mightily to avoid the inconsistency they saw in other chains. The first bunch of McDonald's franchisees in California were a maverick lot, selling unauthorized menu items, neglecting cleanliness and charging more than the dictated 15 cents for burgers. Kroc, ever the salesman, understood word-of-mouth advertising and how weak links could damage an aspiring national chain.

He decided to motivate franchisees with money. Instead of making money up front by selling territorial agreements, as did Dairy Queen and Tastee Freez, Kroc sold franchises one at a time to individual business people. He charged a small franchisee fee, $950, took only 1.9% of gross sales and helped franchisees run the business. What's more, he did not sell franchisees supplies, another money-making method many franchisors employed.

In exchange for this relatively inexpensive entry into the business, McDonald's franchisees had to run the stores Kroc's way: selling food made according to his strict specifications and serving it quickly, keeping the stores immaculate, and following his price structure. Kroc kept them doubly motivated with the promise of an additional restaurant, doled out one at a time to franchisees who followed his procedures to the letter.

Today, stock options, bonus plans, the promise of another unit and lots of attention from home office keep McDonald's franchisees a motivated group of business people. Field consultants conduct three-day reviews at least once a year. (A manager of a licensed store tells why she got a "B" on food quality: The ketchup was smeared unevenly on the burger buns, and there was too much ice in a soft-drink cup.)

McDONALD'S THROUGHOUT THE "400"

Steady unit and sales growth has resulted in 96 consecutive quarters of record earnings.

Year	Rank	Sales (millions)	Units
1964	10	$129.6	688
1965	12	170.9	760
1966	11	218.5	862
1967	10	266.4	967
1968	8	335.0	1,125
1969	7	450.8	1,345
1970	4	587.0	1,592
1971	5	784.1	1,944
1972	1	1,169.8	2,272
1973	1	1,568.0	2,784
1974	1	2,058.0	3,037
1975	1	2,616.5	3,756
1976	1	3,063.0	4,225
1977	1	3,738.0	4,736
1978	1	4,575.0	5,185
1979	1	5,384.0	5,747
1980	1	6,226.0	6,262
1981	1	7,129.0	6,739
1982	1	7,809.0	7,259
1983	1	8,686.5	7,778
1984	1	10,006.6	8,304
1985	1	11,000.9	8,901
1986	1	12,400.0	9,410
1987	1	14,330.4	9,911
1988	1	16,064.0	10,513

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"We help franchisees correct problems, but if that doesn't work, we have to consider alternatives."
—Burton Cohen, senior vice president, franchising

Potential menu items must fit price, operations and profit structure, and appeal to a mass audience.

continued from page 38

Top executives, such as Rensi, spend 70% of their time at the store level, and often drop in for unannounced inspections.

The group also enjoys a good relationship with McDonald's Corp., and therefore keeps up with royalty payments and approves what McDonald's $1 billion advertising budget delivers. In fact, franchisees haven't squabbled with the home office since the early '70s, when a group of them accused executives of not listening to their needs. "There were some things that we needed to have our butts kicked over," recalls Rensi, declining to be specific. "But I think it resulted in a far better relationship today."

Mistakes still crop up with individual franchisees, despite strict controls. About 10% of applicants drop out of training; the percentage that drops out after the store opens is a "statistical zero," says Burton Cohen, senior vice president of franchising. "From time to time, we'll have a franchise we're not happy with," he says. "We do everything to help the franchisee correct the problems, but if that doesn't work, then we have to consider other alternatives."

While McDonald's insists that franchisees stick to Q.S.C. & V., the chain does not stifle creativity. Entrepreneurial franchisees take credit for the Big Mac, Egg McMuffin and from-scratch breakfast biscuits. A franchisee from Texas placed two stacked ashtrays next to two stacked ashtrays, and showed executives how they could separate the hot and cool components of McD.L.T.

More than any other area of operation, McDonald's feels most protective of its menu. First, the menu is the chain's most important way of delivering consistency to the consumer. Second, the chain's sheer size makes new menu items a risky proposition. "When we roll out a new item, it's like starting a new concept," explains Michael Goldblatt, director of product development.

Potential new menu items must fit the chain's price, operations and profit structure, and appeal to a mass audience. "McDonald's wants food fashion, not fads," says Rensi. Salads, for instance, rolled out in 1987, account for about 7% of sales, or more than $1 billion in 1988. But executives did not leave that figure to chance: Salads were in test for 10 years.

Executives fight an ongoing battle to

continued on page 48

HOW McDONALD'S MANAGES ITS MONEY

McDonald's finances are handled by a five-member "treasury" that reports to Chief Financial Officer Jack Greenberg. The treasury team keeps track of financial markets, looks into new financial instruments and decides in which currencies to negotiate debt.

The corporation prefers to carry a heavy debt load, rather than to raise capital through new stock issues. "We find the debt markets are far cheaper than the equity markets because of tax deductibility on interest," explains Sharon Vuinovich, manager of investor relations at McDonald's.

Since most of McDonald's debt is long-term, the corporation can reinvest cash from operations. McDonald's generated cash flow of $1.2 billion in 1988, of which $350 million was reinvested in company-owned restaurants. McDonald's encourages licensees and even shareholders to follow this lead: Shareholders can assign quarterly dividends to a reinvestment program.

The treasury also is responsible for presenting McDonald's to the financial community. Vuinovich credits the company's inclusion in the Dow Jones 30 Industrials with attracting foreign investors: "Since they can't follow every U.S. stock, international investors use the Dow 30 as a starting point."

"When we roll out a new menu item, it's like starting a new concept." —Michael Goldblatt, director of product development

400: EXCLUSIVE

McDonald's has had its share of menu flops: Hot dogs, McRib and the Hula Burger are among them.

HOW McDONALD'S RANKS WITH THE DOW 30 INDUSTRIALS

Company name	1988 sales ($ millions)	1988 earnings
Gen. Motors	$121,085.4	$7.17
Exxon	79,557.0*	3.95
IBM	59,681.0	9.80
Sears	50,251.0	3.84
Gen. Electric	49,414.0	3.75
AT&T	35,210.0	(1.55)**
Texaco	33,544.0*	5.35
DuPont	32,514.0*	9.11
Philip Morris	25,860.0*	10.03
Chevron	25,196.0*	5.17
Am. Express	22,934.0	2.43
P&G	19,336.0	5.96
United Technologies	18,087.8	5.05
Eastman Kodak	17,034.0	4.31
Boeing	16,962.0	4.02
USX	15,792.0*	2.62
Westinghouse	12,499.5	5.66
Allied-Signal	11,909.0	3.10
Goodyear	10,810.4	6.11
3M	10,581.0	5.09
Aluminum Co. of America	9,795.3	9.74
Intl. Paper	9,533.0	6.57
Coca-Cola	8,337.8	2.85
Union Carbide	8,324.0	4.88
Woolworth	8,088.0	4.47
Merck	5,939.5	3.05
McDonald's	**5,566.3**	**3.43**
Bethlehem Steel	5,488.8	5.32
Navistar Intl.	4,080.2	0.84
Primerica***	1,003.7***	3.61

Source: *Fortune* "500," April 24, 1989 and *Fortune* "Service 500," June 5, 1989.

* *Fortune*'s listing factors out excise taxes. Sales are marked if they were at least 5% lower than company-published figures because of this exclusion.

** AT&T's earnings include a one-time pretax $6.7 billion writeoff due to equipment depreciation.

*** Revenues listed are those of Commercial Credit Group, which changed its name to Primerica after buying that company last December.

continued from page 44

keep the menu lean, consistent and current. Early on, Kroc fought with his California franchisees, whose tacos and pizza pushed prices up and quality down. Turner pulled deep-fried roast beef sandwiches from the menu in 1968 when he learned that the sandwich, although a strong seller, wasn't profitable.

The home office, of course, is not infallible. Kroc and Turner devised a burger-shaped hot dog, which Turner now calls a "floparoo." Kroc's Hula Burger, grilled pineapple and cheese on a hamburger bun, also failed. McRib, rolled out in the early 1980s, was yanked after consumers complained the barbecue sauce was too sweet. (The sandwich is now a best-seller at McDonald's restaurants in Germany.)

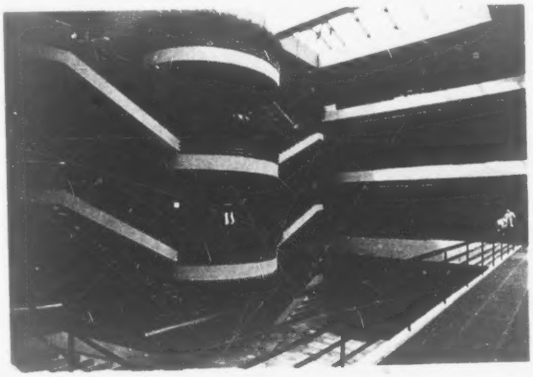
Flops, however, do not keep McDonald's from experimenting. Pizza, now in test as a conventional-looking pie, started as the first in what was to be a line of pocket sandwiches. (Executives deem pocket sandwiches too trendy for McDonald's menu.) Carrot and celery sticks, still in McDonald's test kitchens, at first presented a quality problem. "We wanted the carrots to be as sweet as possible, and the celery had to be crisp and not stringy," says Goldblatt.

The food that finally makes it to the menu is by no means sacred. Because of consumer concerns, the chain reduced sodium in the breakfast hotcakes by 30%, and removed monosodium glutamate from Chicken McNuggets. Goldblatt says that McDonald's will meet consumer demands for nutritious foods not by adding new products, but by altering existing menu items. "We are never satisfied," he says, delivering another company line.

But the comment explained why he was conducting a french-fry test the day *R&I* interviewed him. Goldblatt, in fact, is intensely interested in fries, McDonald's only fried menu item still prepared in animal-vegetable shortening. The fry recipe, Goldblatt says, will change only when someone figures out how to change the shortening without changing the taste.

That someone might well be one of the chain's potato or shortening suppliers. McDonald's accords suppliers as well as franchisees freedom within limits to devise better ways to run restaurants. One of the chain's fryer companies has invented a new fryer basket that McDonald's says will

continued on page 52



McDonald's new home office in Oak Brook, Ill., houses four test kitchens, a McDonald's restaurant and an extensive collection of modern art.

Analysts consider McDonald's a consumer stock or a growth stock, not a restaurant stock.

continued from page 48

significantly decrease the amount of fat absorbed by fried foods. Lettuce growers harvest the greens early for McDonald's. Growers developed square salad tomatoes to McDonald's specs; celery and carrot producers have bred the sweet carrots and stringless celery that Goldblatt requested.

One of the most surprising facts about life with McDonald's is that suppliers work without a written contract, and have done so since the birth of the company. Giving McDonald's freedom to dismiss an errant supplier at will—not when the contract was up—was the only way Kroc felt he could force suppliers to meet McDonald's quality specifications.

Kroc's legendary handshake deals built a stable of steady suppliers, among them the biggest retail names in spices, chicken and cheese. Suppliers maintain separate facilities for McDonald's, and send their employees who work directly on McDonald's accounts to short courses at Hamburger University located near the Oak Brook home office. "We develop relationships with people, not with corporations," says a McDonald's spokesman. Indeed, McDonald's considers suppliers—as well as franchisees, home-office employees and stockholders—part of the McDonald's "family." The ties are strong: The family owns about 10% of McDonald's stock, and the percentage increases by about one point every year.

McDonald's stock is on every analyst's recommended list. Securities firms treat it as a consumer stock, a large-capitalization stock or a growth stock, not a restaurant stock. "McDonald's doesn't compare to Wendy's or Sbarro because of the structures of the company," explains Sharon Vuinovich, director of investor relations at McDonald's. The structures Vuinovich is referring to are McDonald's real estate assets and high debt to equity ratio.

McDonald's commitment to real estate started with Harry Sonneborn, Kroc's first financial officer. Under Sonneborn's direction, McDonald's leased land, sublet to franchisees at a markup, then used the extra money to buy the real estate. The two took the company public in 1965 to obtain even more expansion capital, a move crucial to the company's current success. "Without access to capital markets, we could not expand," Vuinovich says.

The real estate plan and public offering built a financial chain of advantages for modern McDonald's. The corporation owns 60% of its real estate sites, which along with equipment are worth $6.8 billion of the company's $8.1 billion in net assets. The chain uses real estate as collateral to borrow: The debt to equity ratio is 49%, and the corporation's total debt obligation is $3.2 billion. Because most of the debt is financed long-term, the company can reinvest cash provided by operations in the business.

And reinvestment, along with attention to Q.S.C. & V., menu additions, and maintaining good supplier and franchisee relationships, have made McDonald's what it is. In the pages that follow, Ed Rensi, in an interview with *R&I*, relates how the company builds on the foundations Kroc established. "Ray Kroc and Fred Turner set the operating standards," he says. "Mike Quinlan polished them and has the sense to let us execute them."

HAMBURGER
UNIVERSITY

Hamburger University (above) also located in Oak Brook, boasts 30,000 graduates. A sculpture (l.) outside the main building glorifies McDonald's target market: the family.

continued on page 56

400: EXCLUSIVE

McDonald's COO Ed Rensi spends most of his time in the company's restaurants, not in the office.

"The 70% that I spend out in the field, I perceive to be the most important part of my McDonald's life because that is where it happens. If the staff doesn't understand what those managers and employees go through at the front counter, this business won't be successful."

R&I: Who are the people that you work very closely with?

Rensi: We don't have a firm chain of command, if you will. We very much like messing around in each other's sandboxes.

We talk about the corporate culture as one with everyone having a responsibility to do everything. Egos are not very big around here. You know, some of the finest restaurant-operating people in the world work for our company, and I'd guess that the industry probably doesn't know five of their names. Ray Kroc used to say that none of us is as good as all of us, and that's so true.

R&I: How do you work out day-to-day priorities?

Rensi: We have a strategic bias, but not a long-range strategic plan. We're always thinking about the future, but market conditions really drive what we do. So if we see the market shifting—you know we never used to worry about solid-waste disposal—we're going to come up with the right answers. So we let market conditions, the environment and our customers lead us strategically.

R&I: What's on your mind these days?

Rensi: We've got some 20,000 bathrooms that need to be cleaned every day. I worry that the french fries are hot and crisp. I worry that the store managers are getting adequate training. I worry that we're using clean towels to clean off our tables and chairs. I worry that the milkshakes are cold. I worry that Ronald McDonald is making a kid happy at the moment. That's what I worry about. I can't solve nuclear war. I can't deal with the deficit. But I can run a hell of a restaurant.

R&I: Can you react fast enough to the changing market?

Rensi: Sure. This is the most flexible company on the face of the earth. We do what feels good, and if something feels different tomorrow, we'll do that. We are a very flexible company.

R&I: That's not the perception of McDonald's, as you probably know.

Rensi: No, I don't know where that perception comes from. In fact, I don't waste much time thinking about it.

R&I: Maybe it's just sheer size.

Rensi: Well, one can conclude that the size of the organization would lead to some rigidity. The fact of the matter is we're a company of 2,900 presidents, a company of 10,000 restaurants owned 78% by franchisees. We don't have any contracts with any of our suppliers, so they do it because they know they're going to make a decent buck if they give us decent-quality product. We don't have the need for structure because it's everybody's responsibility to run the company.

R&I: Who made the decision to roll out salads or McChicken?

Rensi: No one person. Product development was working on salads. We said, "Give us your best recipe and how you want to do it." We tested salads for 10 years. We did salad bars; we did salad pods; we did salad every kind of way you could think of. The product development department came up with the packaged salad idea, tested it, said here's our five or six best recipes. We put them in 50 stores and worked out the operations, and then put them in another 100. Nobody really made the decision, it just kind of happened.

R&I: How do you feel about the nutrition campaign?

Rensi: I think one of the great tragedies in America today is the gross amount of misinformation that there is about nutrition. And nobody wants to take time to talk about the real issue. The real issue is balance and quantity. Americans eat the right kinds of food; they just eat too much of it and not in proper balance. And there needs to be more work done educationally on teaching people how to eat right, how to put certain foods into their menu. So I think those ads were a very good step in trying to educate the population, not only about our food, but about diet in general.

Unfortunately, some people who were zealots decided to say that McDonald's was trying to pull a fast one. And that's not the case at all, but it puts a company like McDonald's in a position of perhaps being reluctant to step out on some of these issues.

400: EXCLUSIVE

Airports and hospitals will not replace traditional locations as McDonald's expansion targets.

R&I: Where are you looking to grow? It's a lot tougher than it used to be to grow a company in the United States.

Rensi: Tougher is a relative term. Tougher than what? Tougher than what it was yesterday, or tougher than what it's going to be tomorrow?

Property will never be cheaper than it is today; there will never be more sites available than there are today. Now's the time to buy real estate. We want penetration, very careful site selection and artful negotiations. We have a very good track record on how to build McDonald's restaurants and how to get that penetration and how to fill in the gaps.

The areas where we are going to build the most restaurants are in the areas where we traditionally build new restaurants. The booming suburbs, the critical-mass downtown locations, and every once in a while, we'll put a specialty site in an airport or a hospital or something like that, a Navy deal, an Air Force deal. But that's not the bread and butter.

R&I: How does McDonald's feel about being listed as one of the Dow Jones 30 Industrial stocks?

Rensi: I'm sure if Ray Kroc had been alive he would have loved the hell out of that, because he knew how special McDonald's was, and it means that the financial world, the analysts, will take us seriously as a business.

R&I: Does it pose problems? You're always under scrutiny by Wall Street.

Rensi: We have a responsibility to give our shareholders a yield and a growth because they've invested a hell of a lot of money in our company, so you are doggone right the shareholders are important. Because we take good care of the shareholder and because we've got good performance, we can borrow money pretty easily. We can get real estate because people have confidence in our leases and our paper.

R&I: In "Behind the Arches," Fred Turner talks about taking the company private and redistributing it among employees. Can you comment on that?

Rensi: If your objective is to take the company private, that's one thing. But Turner is saying his objective is to keep the company's entrepreneurial spirit, and to do that, you have to put ownership in the hands of the people running the company.

That's why we have stock options for our store managers. We want them to feel a sense of ownership. They're running the company that belongs to them. That's just good business.

R&I: Can you tell us about a day in the life of Edward Rensi?

> "I just love it when there's a delivery truck on the lot, because that gives me a chance to get inside that truck. Is the truck clean? What does the driver's uniform look like?"

Rensi: I spend about 60% to 70% of my time on the restaurant-operating side of the company. I've got a business card that says I'm the chief shake maker, burger griller, french fryer and cheerleader. And I really believe that because we're a retail establishment that's got 10,000 locations, and the thing that makes it work is getting the team in tune with objectives and direction and then having them apply their own sense of enthusiasm and excitement for solutions to the problems they encounter.

The 70% that I spend in the field, I perceive to be the most important part of my McDonald's life, because that's where it happens. It's one customer at a time at the front counter with one crew person at a time, and if we don't understand what it is those managers and employees are going through at the front counter, this business won't be successful.

When I visit a market, I try to be in that market for a minimum of three days. I try to shake hands with every crew kid, certainly meet and talk to every store manager in the restaurant, and I ask them to take me on a tour of their facility.

R&I: Do they know you're coming?

Rensi: Sometimes yes; sometimes no. I want our people to be able to put their best foot forward because that tells me what I can expect of them.

R&I: We've heard stories about you checking beverage lines and equipment at restaurants. Do you do that kind of thing?

Rensi: Constantly. But let me take you through my visits. I visit the stores and say hello to people. I like to challenge the people in the restaurant as to their job knowledge. You know, "What's the temperature of the grill? What's the temperature of the french-fry vat? How many milkshake cleaning brushes are in the cleaning cabinet? How many are supposed to be there?

Then I like to visit with customers. I like to go out in the lobby and say, "Hi, my name is Ed Rensi." I usually carry a large box of french fries with me and say, "I just made these french fries; I'd like you to try them and tell me what you think of them."

Then I get into, "How's the restaurant been running? How do you feel about the place? Are you getting a good value?" I always try to ask, "What's the last McDonald's you went to and how was it?" That might tip me off as to where I'm going for the next visit.

I do the same thing with the store managers and the crew people. "How's your training been? What kind of problems have you had? What can I do for you? What's your expectation of the company? Are we living up to our expectations? Are you being paid enough? How do you feel about your benefits package?"

The next morning, bright and early, I eat breakfast at McDonald's, randomly chosen. We visit stores all day again. Generally, the first day, I'll visit company stores; the second day, I'll visit licensed stores and meet all the operators in the restaurants. Not only

"The System" is actually three systems: management, the corporation and the burger-making process.

am I dealing with operating and sales and marketing issues, now I'm dealing with the franchisor-franchisee relationship. I ask everybody about operations. It's been suggested from time to time that's all I talk about, and I don't know if it's true or not, but that's okay with me, because that's all we ought to be talking about.

And I just love it when there's a delivery truck on the lot, because that gives me a chance to get inside that truck and check freezer temperature and check the refrigeration side and see if they've got the baffles up so the product doesn't smash all around.

If there's a major supplier in the area, like one of our meat suppliers, I might drive over to look at the plant.

R&I: How do you feed what you gathered back into the system?

Rensi: When I get done with that visit, the regional manager knows what's on my mind. All the department heads know what's on my mind. And during that course of the visit, when I find things that are exciting or not the way they're supposed to be, I call the person in charge immediately.

R&I: You say you're always challenging the system. Define the system.

Rensi: We actually have three systems. We have a hamburger system, and that's how you cook, prepare and serve food. We have a system of management that is made up of the licensees, suppliers, and the corporation working hand-in-hand. And then we have another system, which is the corporation, and how it interfaces with those other systems is important. The priority system is the hamburger system, and we try to put into place systems and procedures that ensure performance on the part of the employees in the absence of management. Anybody can put in a system that works when the manager is there; the secret is to put into place a system that works when the manager is not there.

R&I: You must come back from your field trips with a lot of really good ideas from operators—what do they contribute to the system?

Rensi: That's one of the great successes of McDonald's. We share across the country what's new, different and exciting, and if somebody's got a great idea, we love to pat him on the back. It's like the McD.L.T. sandwich. We knew we could sell a McD.L.T. We knew that for years. What we couldn't figure out was how to sell it without the tomatoes and lettuce getting wilted. Could not figure it out! And finally, an operator came up with an idea. All of a sudden, we've got a lettuce and tomato sandwich, and it's a damn fine quality product and you ought to have one to prove that to yourselves.

> "We try to put into place procedures that ensure performance in the absence of management. Anybody can put in a system that works when the manager is there."

R&I: What's the reward for coming up with new ideas?

Rensi: Operators do things for their employees relative to bonuses. We have a bonus program in the company. We have an officers' discretionary bonus where, if someone does something really unique and different, we hand him a check right on the spot for a thousand dollars or some amount.

R&I: Do you think you're communicating to women and minorities that there is room to get into top management at McDonald's?

Rensi: What we're communicating is not nearly as important as what our practice is. Forty-seven percent of our managers in company-operated restaurants right now are women. We've got three operating field vice presidents that are female, and probably have another 15 to 20 women and minorities that are on the verge of becoming regional vice presidents.

If you talk to all of our suppliers, you're going to find a company that's owned by blacks that makes croutons, you're going to find a dairy company that makes dairy creamers for us that's Hispanic, and so on and so forth. It never used to be that.

Our system is one that builds from the bottom up. In 1966, we had no women in our restaurants—none—Ray Kroc did not want women in our restaurants. There was no such thing as an affirmative action program at McDonald's in 1966. We've got a very aggressive affirmative action program now. So we'll let our practice and our policies speak for itself.

R&I: It seems McDonald's executives knows how to handle mistakes better than most companies. You give the image of never making a mistake.

Rensi: We don't plan on making mistakes. They're as much as a surprise to us as they are to you, so we don't worry about them. We move on.

R&I: Any final thoughts about where McDonald's might be going?

Rensi: We want to keep developing, growing, maximizing sales potential of the thing called McDonald's. We'll do what we have to do along the way to achieve that result. If you build 10,000, you ought to be able to build 20,000. So why not run for it? There are no big successes without big dreams.

R&I: That balances all you've said about the ability to be hands-on managers.

Rensi: You know what makes that work for us? We worry as much about a strand of french fries and a 10-to-1 hamburger meat patty as most companies worry about their financial ratios. Ray Kroc said we take the hamburger business more seriously than anybody else. We're serious about that. That sounds so Pollyanna and so Goody-Two-Shoes, but it's real; it is real!

This concludes Part I of a two-part story. In the August 21 issue, *R&I* will explore the inner mechanisms of McDonald's.

LEADERS OPT FOR CONSERVATIVE GROWTH

Bottom-line pressures force organizations to streamline operations and maneuver skillfully to gain market share.

400

For this year's Silver Anniversary "400," there is no major development to proclaim. But a careful look shows the beginning of a new momentum among the leaders of the foodservice industry. Caught during this decade between overexpansion, both in menus and number of units, and rising operating costs, most have turned to a strategy of modest growth.

The economic environment conditioning the "400" continues to be positive. The Reagan and Bush administrations have survived, at least on a short-term basis, the perils of budget and trade deficits, and Wall Street has rebounded handsomely from its crash of late 1987, breaking through 2500 on the Dow in late spring. Interest rates have remained generally steady, and consumer confidence surveys show that most Americans see 1989 as a good year.

Under a new ranking system that excludes, franchisees and purchasing groups, total sales for the "400" increased to $117.7 billion from $113 billion last year (the estimate of $123.6 billion shows what those sales would have been if those groups were included). As stated above, operational costs have cut into net profits. Specifically, because of a tight labor market, many companies already are paying well above the minimum wage. Fixed costs such as liability insurance and certain benefit packages also are pressuring the bottom line.

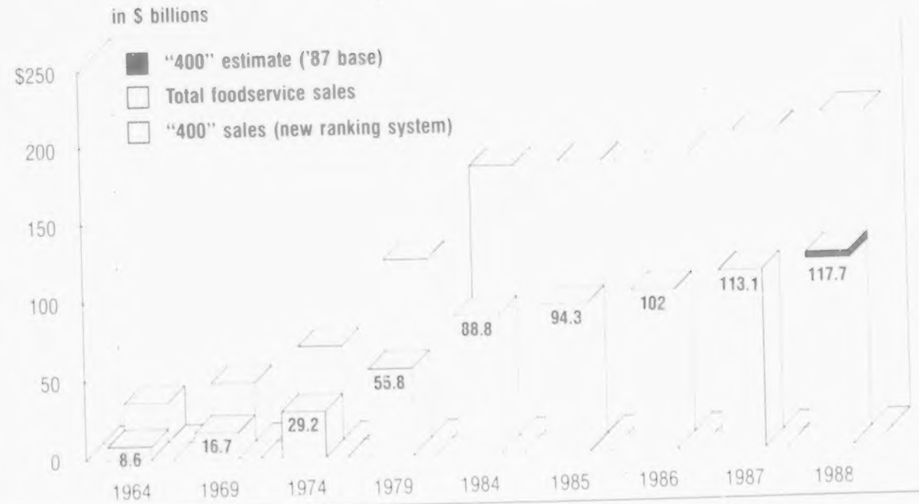
Stock analysts, who too often do not differentiate among the huge range of restaurant stocks, talked about "mixed performance" and "lackluster conditions" among the public restaurant companies. They have tended in the past to favor leaders (top 100 companies), McDonald's in particular, and in this they do reflect *R&I*'s "400" numbers. The top 10 companies combined for total sales of about $46.4 billion, or 42% of the total sales. While raising its annual unit-growth goal to 600, McDonald's added $1.8 billion in sales. Burger King, Pizza Hut, Hardee's and Domino's all registered sales gains of $300 million or more, and Kentucky Fried Chicken jumped a very strong $900 million.

The pie chart at lower right illustrates who among the "400" companies has the power. Notably, the top 25 companies control 55% of the total, while the last 200 companies account for only 8%. The second chart breaks out the "400" by segments and demonstrates the clout of the fast feeders, who control 47% of the business, versus full-service, the runner-up at 20%. If one were to consider that much of the contract management business is institutional, then the latter's share of "400" sales amounts to about 20%.

As pointed out in our 1989 Annual Report, ownership changes of various types—mergers, acquisitions and divestitures—have been the most beneficial moves by major players. In fact, "streamlining" might be the best word for the the prevailing philosophy. As examples: Grand Met has

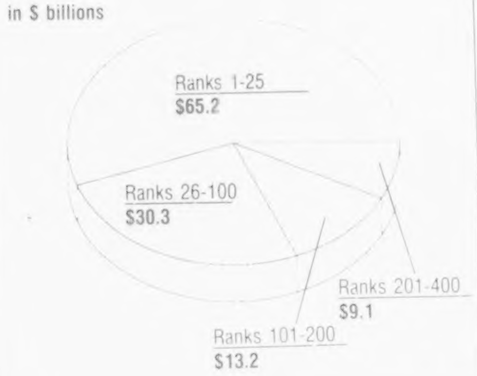
SALES OF THE "400" COMPANIES

Despite changes in the ranking system, the "400" continues to take in more and more total foodservice sales: 57.9% of all sales of food away from home in 1988. If the ranking included franchisees and purchasing groups, as it has in past years, total "400" sales would be even larger: $123.6 billion, or 60.8% of foodservice sales.



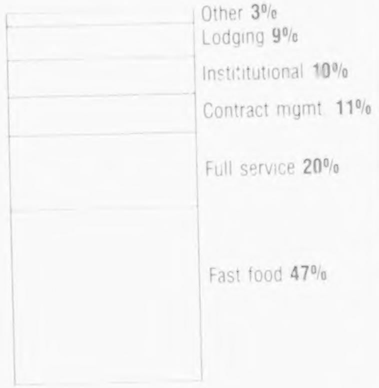
WHO HAS THE POWER?

As usual, the top of the "400" sells the most. The first 25 companies account for 55% of the total, or more than $65 billion; the last 200 do $9 billion.



"400" SEGMENT SHARE

Fast-food chains make up almost half of this year's total "400" sales. Institutional organizations include schools, health care and the military.



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400: OVERVIEW

"400"—THE OLD WAY

Under *R&I*'s "old" system, which included parent companies and franchisees, the top end of this year's "400" would read as follows. Sales in $ billions, * denotes *R&I* estimate, ** denotes company estimate, † indicates a commercial equivalent:

1. McDonald's Corp.
Sales: $16,100 Units: 10,513

2. PepsiCo Foodservice Div.
Sales: $10,020 Units: 17,353

3. Pillsbury Restaurant Group
Sales: $6,152** Units: 6,489

4. Marriott Corp.
Sales: $5,353.5* Units: 3,745*

5. TW Services
Sales: $3,390.8 Units: 3,985

6. U.S.D.A. Food & Nutrition Service
Sales: $3,035.8† Units: 89,791

7. Wendy's International Inc.
Sales: $2,992 Units: 3,762

8. Imasco USA
Sales: $2,733.3* Units: 3,100

9. ARA Services
Sales: $2,350 Units: 2,500

10. Domino's Pizza
Sales: $2,300 Units: 4,943

11. International Dairy Queen
Sales: $2,239.5 Units: 6,107

12. The Sheraton Corp.
Sales: $1,600 Units: 1,750

13. U.S. Army Troop Support Agency
Sales: $1,332.8† Units: 995

14. Shoney's Inc.
Sales: $1,916.7 Units: 2,391

15. General Mills Restaurants
Sales: $1,600 Units: 573

16. Collins Foods International
Sales: $1,057.4* Units: 913

Subway topped Growth Leaders list; American Restaurant Group bucked trend by diversifying.

moved swiftly to unload S&A Restaurant Corp. and several retail grocery brands in order to concentrate on its biggest brand name, Burger King.

General Mills folded two groups, selling off Leeann Chin's and York's, and investing the capital in Red Lobster and its successful Olive Garden concept. Food companies such as Hershey, Campbell and Sara Lee dropped out of the foodservice business.

But not everyone was selling. Anwar Soliman's American Restaurant Group is going against the grain by assembling a five-division company that manages concepts ranging from fine to casual dining. (Soliman also runs another company, AWR II, parent to Del Taco and Naugles Mexican fast-food chains.) LBOs, such as those by Herman Cain, who snared Godfather's, and Foodmaker, also were popular options. Acquisitions of note were Heidi's by Steve's Ice Cream and Fuddruckers by Daka Intl.

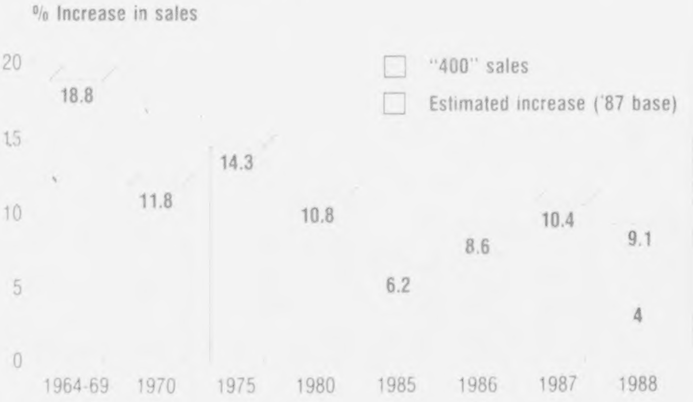
Leaders among growth companies were Subway, which jumped 120%, and Everything Yogurt Inc., which doubled its sales in a single year. Overall, this year's top 20 Growth Leaders by percent of sales gain averaged a 53.6% increase in sales growth.

Another developing trend was the acquisition of foodservice and lodging companies by foreign interests. In particular, the Japanese have been investing heavily in hotels; two noteworthy acquisitions were Westin by Aoki Corp. and Inter-Continental Hotels Corp. by Seibu Saison.

Overall, the "Silver 400" performed well in 1988, using tight resources skillfully to respond to consumer demands. Many did the right thing for 1988 and made moves that will strengthen them in the future. Far-sighted companies such as McDonald's, which *R&I* has chosen as company of the quarter century, have laid the groundwork for continued healthy growth through the next 25 years. ***—Michael Bartlett***

"400" GROWTH

By excluding franchisees and purchasing groups, the new "400"'s sales growth dips far below 1987's. But an estimate based on last year's membership shows growth of 9.1%—down, but higher than 1986.



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RULES OF THE RANKING

For a new quarter-century, a new *R&I* "400": able to chart the growth of foodservice as never before.

This year, *R&I* editors have given the "400" the most extensive overhaul in its 25-year lifetime. Some of the features that made sense in the ranking's early years had become outmoded or simply unnecessary. And changes in the industry over the last quarter-century suggested ways to amend the "400" to make it more useful to readers.

First, the rankings now break out individual concepts instead of putting them under the umbrella of a parent company. This will allow the survey to track the growth of "name brands" such as Pizza Hut rather than simply reporting on PepsiCo. The new system also can separate a corporate giant such as Marriott into its component parts, spotlighting its lodging division, for example, apart from the company's family-dining, contracting and fast-food divisions.

Parent companies of these "brands" are named in the chart copy (abbreviated PC); their total sales and units are given in the "Family Tree" that follows the "400."

This year, the editors have removed franchisees from the ranks of the "400." *R&I* has always included their sales and units in the systemwide totals of their franchisors. But in the last 25 years, franchisees' sales and influence have grown, and their listings have displaced more than a few chains that are otherwise eligible for the "400." By giving franchisees a list of their own, *R&I* makes the new "400" a more accurate reflection of the range and vitality of today's foodservice industry.

The same logic dictated removing purchasing groups from the '89 "400": Most serve as buying agents for clients who then retail those purchases to consumers. Purchasing organizations also are ranked separately.

In compiling the '89 "400," editors requested foodservice sales figures either for calendar '88 or for a fiscal year ending after June '88 and before July '89. Sales figures and unit counts include both company-owned and franchised stores at home and abroad.

For institutions, which commonly sell food at a lower markup than commercial operators do, editors requested total food purchases for '88 or projected purchases for '89. That figure was then given a multiplier of 2.8 to arrive at a commercial equivalent. The 2.8 factor translates into a food cost of about 35.5%—midway between fast-food and full-service restaurants.

Where companies could not (or would not) break out sales and units for individual concepts, *R&I* editors estimated those figures from outside resources. All figures marked with one asterisk (*) are *R&I* estimates. Figures marked with two asterisks (**) are estimates provided by the companies themselves.

The notation (A) indicates that no comparison is possible with a company's previous data—last year's sales, units or rank. This usually denotes a concept that fell under its parent company's listing in '88. Next year's "400" will begin tracking the annual growth of these "newcomers."

A footnote (^{B}) indicates that a company has used a new method of reporting, such as a switch from a calendar to a fiscal year. A footnote (^{C}) shows that the company has estimated its franchisees' sales. A footnote (^{R}) indicates a revision in a figure published in last year's "400" —usually because a company has replaced an estimate with actual figures.

All sales figures are listed in millions. The abbreviations MM and K in copy denote millions and thousands, respectively. AUV stands for average unit (sales) volume, figured annually; Fy stands for fiscal year.

Companies that were acquired during 1988 are still listed in the ranking if they operated independently for more than half the year. Where two or more companies supplied the same sales figures, actual numbers take precedence over company estimates, which in turn lead *R&I* estimates. Companies still tied after these criteria are listed in alphabetical order.

—The Editors

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
1 (1)	**McDonald's Corp.** Oak Brook, Ill. Fast food (hamburgers)	16,100.0 (14,330.4)	12.3	10,513 (9,911)	6.1	Industry leader saw systemwide sales increase 12% and net income jump 18%. McDonald's opened the 10,000th store in the system, sold its 70 billionth burger and opened a restaurant in Yugoslavia. AUV is $1.6MM.
2 (A)	**Burger King Corp.** Miami, Fla. Fast food (hamburgers)	5,400.0 (5,000.0**)	8.0	5,793 (5,179)	11.9	Grand Met named Barry Gibbons CEO, snared former Hardee's executive Gary Langstaff for top marketing spot, revamped Distron and trimmed staff at headquarters. PC: Grand Metropolitan Plc., London. Fy end 5/89.
3 (A)	**Kentucky Fried Chicken** Louisville, Ky. Fast food (chicken)	5,000.0 (4,100.0)	22.0	7,761 (7,522)	3.2	Operating profits have almost doubled since acquisition by PepsiCo in '86. KFC added 239 restaurants in '88, 89 of them in Japan. Beijing unit's sales broke $3MM. New units to open at rate of 1 a day. PC: PepsiCo Foodservice Div.
4 (A)	**Pizza Hut** Wichita, Kan. Fast food (pizza)	3,390.0 (A)	—	6,662 (A)	—	Hand-Tossed gives No. 1 pizza chain three crust sizes. Co. becoming "total pizza distribution system" with restaurant delivery units, kiosks in 200 Marriott contract facilities. AUV $600K. PC: PepsiCo Foodservice Div.
5 (A)	**Marriott Food Service Mgmt.** Washington, D.C. Contract management	3,350.4†* (A)	—	2,300* (A)	—	Account retention rate was in high 90th percentile in '88. Co. reports it won 50% of accounts bid on, adding 315 new accounts to roster. Added 18 new marketing concepts to increase sales in existing accounts. PC: Marriott Corp.
6 (5)	**U.S. Dept. of Agriculture Food & Nutrition Service** Washington, D.C. Government institutions	3,035.8† (3,095.4†)	−1.9	89,791 (90,180)	−0.4	The govt. giant is treading water. School consolidation kept units down and sales dipped due to low commodity prices (caus[illegible] dairy product availability). On plus side, school lunches up 2.4%. Fy end 9/30/88.
7 (6)	**Wendy's International Inc.** Dublin, Ohio Fast food (hamburgers)	2,902.0 (2,870.0)	1.1	3,762 (3,816)	−1.4	Bob Barney steps aside; Jim Near moves up to CEO. AUV up from $741K to $759K with 11% profits. Company will open 7 and franchise 45 units this year. SuperBar accounts for 20% of sales; 40% of franchisees offer the bar.
8 (A)	**Hardee's Inc.** Rocky Mount, N.C. Fast food (hamburgers)	2,733.3* (2,418.9*)	13.0	3,100 (2,959)	4.8	Hardee's AUV up 5% over last year to $920K. Breakfast accounts for 30% of sales. 250 new units scheduled to open this year. Sales figure estimated to factor out equipment division sales. PC: Imasco USA.
9 (7)	**ARA Services Inc.** Philadelphia, Pa. Contract management	2,350.0 (2,144.0^{B})	9.6	2,500 (3,842)	−34.9	Co. coordinated foodservice for summer '88 Olympics. Put together a touring show (to 9 cities) to market its new and existing foodservice programs; 6,000 current and potential clients attended. Signed Univ. of Va. in '88.
10 (10)	**Domino's Pizza Inc.** Ann Arbor, Mich. Fast food (pizza)	2,300.0 (1,980.0)	16.2	4,943 (4,279)	15.5	Delivery specialist has franchised unit No. 5000, but competition has squeezed margins. Pan pizza, first systemwide rollout in 29 years, made up 22% of sales in first month. 614 units opened in '88; 600 planned for '89.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
11 (A)	**Dairy Queen** Minneapolis, Minn Fast food (sweets)	2,067.0 (1,900.0)	8.8	5,122 (5,005)	2.3	Co added 228 new restaurants in '88 including Treat Center concept located in shopping malls. Attributes growth to opening new, higher-volume stores and expansion of existing smaller stores. PC: International Dairy Queen Inc
12 (A)	**Taco Bell** Irvine, Calif Fast food (Mexican)	1,630.0 (1,500.0)	8.7	2,930 (2,712)	8.0	Co will continue to "mainstream" the image of Mexican-style fast food. Big story for '89 is enhancing image in the local community. Will upgrade buildings and streamline design of new units. PC: PepsiCo Foodservice Div
13 (14)	**The Sheraton Corp.** Boston, Mass Lodging	1,600.0 (1,391.2)	15.0	1,750 (1,555)	12.5	Ongoing Cuisine & Spirits marketing program continues to emphasize the use of seasonal ingredients. Worldwide hotel expansion plans include 18 properties in '89. Co debuts all-suite Sheraton Suites later this year.
14 (32)	**U.S. Army Troop Support Agency** Fort Lee, Va Military	1,332.8† (1,310.4†)	1.7	995 (1,074)	7.4	Reorganized and restructured foodservice center is now Quartermaster School in Fort Lee, Va. In '89 will implement MIS system and design program for Army dining facilities.
15 (13)	**Denny's Inc.** La Mirada, Calif Full service (family dining)	1,300.0 (1,251.0)	3.9	1,299 (1,221)	6.4	To meet goal of real '89 growth, new parent co puts focus on operations, remodeling (150 units in '89), streamlined menu. But successful '88 promos (Corlick Sisters, Flintstones) will continue. AUV is $1.1MM. PC: TW Services Inc
16 (A)	**Red Lobster** Orlando, Fla Full service (seafood)	1,300.0 (977.0)	33.1	512 (410)	24.9	Plans to open 20 units in '89. Servers encouraged to develop creative sales approach. Buying products from 33 nations to provide supply continuity and better prices. Fy end 5/89. PC: General Mills Restaurants Inc
17 (A)	**Canteen Corp.** Chicago, Ill Contract management	1,288.8 (A)	—	1,883 (A)		Foodservice contractor's recreation division had record year at its Spaceport U.S.A. operation at Kennedy Space Center, Fla. Secured concessions at Palace in Auburn Hts., Mich., home of Detroit Pistons. PC: TW Services Inc
18 (A)	**Marriott Lodging Division** Washington, D.C. Lodging	1,218.3 (A)	—	585 (A)	—	Co's hotels and resorts division added 6,000 full-service rooms in '88. Expansion plans target Hong Kong, Poland, Mexico, U.K. and U.S. Also owns Courtyard, Fairfield Inns and Residence Inns. PC: Marriott Corp
19 (20)	**Arby's Inc.** Atlanta, Ga Fast food (sandwiches)	1,160.0 (980.0)	18.4	2,049 (1,973)	3.9	Sandwich chain's 25th anniversary year promises to be a good one, with system sales up 18% and 10 consecutive quarters of double-digit profit growth. Credit-card acceptance and customer hotline encourage new traffic.
20 (21)	**Hilton Hotel Corp.** Beverly Hills, Calif Lodging	1,054.0 (970.0)	8.7	1,185 (1,185)	—	In '89 will open first uspcale Hilton Suites property and first limited-service CrestHil. CEO Barron Hilton willing to talk to potential buyers. Extensive renovations, international growth planned for '89.

[illegible]

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
21 (19)	**Service America Corp.** Stamford, Conn. Contract management	1,001.0** (1,030.0**)	−2.8	2,000B (11,000**)	—	With 12/87 leveraged buyout complete, foodservice contractor (71% vending) launches new marketing programs systemwide, including "Direction in Dining" signage program and pita-pocket sandwich intro. Expanding training.
22 (46)	**Big Boy** Warren, Mich. Full service (family dining)	994.0** (A)	—	912 (A)	—	Big year for Big Boy. Family-owned Elias acquired franchise rights from Marriott in '87; Elby's rejoined Big Boy system in '88. Big plans for systemwide core menu in '89. PC: Elias Brothers Restaurants Inc.
23 (30)	**Little Caesars Pizza** Farmington Hills, Mich. Fast food (pizza)	908.0 (725.0)	25.2	2,180 (1,820)	19.8	National TV debut and Pan! Pan! pizza rollout helped carryout co. increase same-store sales. Caesar to buy Mother's, a 41-store Canadian chain, and gain full-service experience there as well as from its sit-down Pizza Parlors.
24 (24)	**U.S. Navy Food Service Systems Office** Washington, D.C. Military	896.0†** (810.0†)	10.6	684 (684)	—	Despite budget cuts, base closings and other financial constraints, Navy plans to offer enlisted personnel more healthful foods such as fresh fruit, vegetables, fish and chicken.
25 (A)	**Shoney's Restaurants** Nashville, Tenn. Full service (family dining)	864.1 (718.6)	20.2	636 (614)	3.6	'88 recapitalization shows signs of success: 1% real sales gain for Shoney's and 11 new company-owned units. In '89, co. spearheads aggressive franchise drive in South Fla. territory. Fy end 10/88. PC: Shoney's Inc.
26 (A)	**Sizzler Restaurants International** Los Angeles, Calif. Full service (steakhouses)	850.0 (748.6)	13.5	625 (587)	6.5	Solid growth, adding 51 new units. Completed phase 2 of "Northeastern Program": consolidating Rustler stores into system. Now concentrating on final phase, upgrading physical plants and improving customer counts.
27 (29)	**Hyatt Hotel Corp.** Chicago, Ill. Lodging	796.2* (726.4*)	9.6	320 (390**)	−17.9	Co. has 17 properties just opened or under construction. The Hyatt Regency Beaver Creek opens this summer in Vail, Colo. Advertising Age recognized the "Hyatt Touch" ad campaign as one of best of '88.
28 (28)	**Dunkin' Donuts Inc.** Randolph, Mass. Fast food (sweets)	777.8 (728.8)	6.7	1,767 (1,669)	5.9	Reorganized operations department to help run 171 new units. More than $15K AUV increase over '87 figures. Hostile takeover bid by Canada-based Unicorp possible but not probable. Plans to add 120 new units in '89.
29 (26)	**U.S. Army Community & Family Support Centers** Alexandria, Va. Military	772.0† (766.4†)	0.7	624 (626)	−0.3	To dovetail with its increased concern for personnel's families (and to be more efficient), Army is continuing to renovate its community and family support center facilities.
30 (A)	**Long John Silver's Seafood Shoppes** Lexington, Ky. Fast food (seafood)	765.3 (746.9)	2.5	1,478 (1,443)	2.4	Customer counts flat in '88 but lower cod prices and reduced promo expenses may boost '89 pre-tax income by $12MM. Plans to add 40 company-owned and 20-30 franchised units in '89. Fy end 6/89. PC: Jerrico Inc.

*R&I estimate **Company est. † [illegible] (A) [illegible] comparisons with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('87 units)	% change units	Comments
31 (A)	**Jack In The Box** San Diego, Calif. Fast food (hamburgers)	755.0 (655.1)	15.2	961 (897)	7.1	Parent co. bought Chi-Chi's in April, then, in a deal worth $889MM, went private in December via a buyout led by CEO Jack Goodall. 30 to 40 Jack In The Box units to open this year. PC: Foodmaker. Fy end 9/88.
32 (15)	**Holiday Inn Hotels** Memphis, Tenn. Lodging	751.3* (A)	—	1,700 (A)	—	Chain accounts for 39% of all midscale hotels in the U.S. Nearly 1,600 carry the Holiday Inn logo. Conversions to play important role in growth as 53 hotels switched allegiance to HI in '88. Occupancy rate climbed to 66.9%.
33 (27)	**Ponderosa Inc.** Dayton, Ohio Full service (steakhouses)	749.0* (730.4)	2.5	718 (693)	3.6	Rolled out Grand Buffet, 80-item food bar, in all stores; theme is "Make your entree grander." Will upgrade quality perception by introducing USDA Choice steaks. Pres. & CEO Frank Holdraker resigned in April. Fy end 2/89.
34 (23)	**7-Eleven** Dallas, Texas Retail (convenience stores)	701.0* (828.8*)	-15.4	7,200 (7,000*)	2.9	In its first full year of operation after the leveraged buyout, emphasis will be put on increased AUV, not unit expansion. Up to 350 units to be sold in '89, with 50 to open. 43 units opened in '88. PC: The Southland Corp.
35 (35)	**Baskin-Robbins Ice Cream Co.** Glendale, Calif. Fast food (sweets)	692.7* (624.7*)	10.9	3,386 (3,372)	0.4	Plans aggressive menu expansion to maintain lead in competitive ice cream market. Plans to add more than 50 new units, including Baskin-Robbins Express (smaller units with drive-thru) where appropriate.
36 (A)	**Roy Rogers** Washington, D.C. Fast food (sandwiches)	630.2* (A)	—	607 (A)	—	Roast beef chain reports sales up 7% in company-operated units. Remodeled 130 units in '88. Introduced Expressburgers and Wild Wings. Employee-retention program coming in '89. PC: Marriott Corp.
37 (71)	**Subway** Milford, Conn. Fast food (sandwiches)	600.0 (272.0**)	120.6	2,888 (1,815)	59.1	Business is booming as sub seller more than doubles sales (low franchise fee makes them attractive). Hired Cronin & Co. advertising, completed new logo and building design. Plans 1,000 new-unit openings in '89.
38 (37)	**Army & Air Force Exchange Service** Dallas, Texas Military	577.9† (544.6†)	6.1	2,102 (2,755)	−23.7	To keep dollars on bases, will continue to expand theme restaurants with signature names, menus and decor. Program seems successful; number of meals served increased 11% last year.
39 (39)	**Bonanza Restaurants** Dallas, Texas Full service (steakhouses)	571.0 (529.5)	7.8	612 (605)	1.2	Signed agreement for 35 units in York Steakhouse acquisition, with conversions to Bonanzas in '89. Expanded training programs. First U.K. restaurant to open 5/89. Plans 300-360 blding. design using new Food Fare concept.
40 (36)	**Friendly Ice Cream Corp.** Wilbraham, Mass. Full service (family dining)	564.0 (572.4)	−1.5	848 (840)	1.0	Friendly deal: TRC bought chain from Hershey Foods Corp. 8/88. Based on marketing savvy TRC Pres. Donald Smith showed at BK, McDonald's and PepsiCo, Friendly could flourish. PC: Tennessee Restaurant Co.

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41 (38)	**Church's Chicken Inc.** San Antonio, Texas Fast food (chicken)	559.3 (533.9)	4.8	1,481 (1,422)	4.1	Continuing problems, including management transition and competition from non-chicken chains selling chicken (McDonald's and Burger King), contributed to declining profits and acceptance of buyout offer by A. Copeland Ent.
42 (A)	**Ramada Hotel Group** Phoenix, Ariz. Lodging	547.3* (A)	—	790* (A)	—	Co. sold for $540MM to New World Development Co. of Hong Kong 4/89. Prime Motor Inns of Fairfield, N.J., will operate the U.S. franchise system of more than 600 hotels, which will retain Ramada and Rodeway.
43 (A)	**Morrison Custom Management** Mobile, Ala. Contract management	531.0 (417.0)	27.3	880 (808)	8.9	To strengthen presence in educational and dining service markets, co. acquired Dobbs Foodservice Mgmt. and Manask Foodservice, adding over 60 accounts. Major breakfast program launched Spring '89.
44 (A)	**Popeyes Famous Fried Chicken** Jefferson, La. Fast food (chicken)	485.0 (463.7)	4.6	715 (703)	1.7	In effort to lessen competition, founder made successful offer to acquire Church's Fried Chicken. New Popeyes units totaled 40 in '88. Focused on monthly event promotion to drive store sales. PC: A. Copeland Ent. Inc.
45 (54)	**Carl's Jr.** Anaheim, Calif. Fast food (hamburgers)	480.0 (343.6)	39.7	477 (444)	7.4	Turnaround is complete: AUV topped $1MM and traffic counts rose 7.4% during year. Co. plans to open 80 units this year, concentrating on Calif. ATM card test expanded to San Francisco. Fy end 1/89. PC: Carl Karcher Ent.
46 (A)	**Bennigan's Restaurants** Dallas, Texas Full service (dinner houses)	458.1 (449.0)	2.0	222 (212)	4.7	In '89, completion of LBO will mean nominal expansion. In '88, refocused energies on execution of the basics: good food, service and value. Increased service staffing levels; remodeled 40 units. PC: Pillsbury Restaurant Group.
47 (45)	**Golden Corral Corp.** Raleigh, N.C. Full service (steakhouses)	456.0 (445.8)	2.3	502 ([illegible])	[illegible]	'88 was year of consolidation; will continue to build strength in '89. Partner-manager approach remains in place. Shift in promotional focus to events, not discounts. PC: Investors Management Corp.
48 (43)	**Western Sizzlin' Steak House Inc.** Dallas, Texas Full service (steakhouses)	450.0 (466.2)	−3.5	[illegible] ([illegible])	[illegible]	Buyout brought new mgmt. team headed by Frank Carney and Michael Stack. "Holiday Bounceback" was most successful promo; will build lunch business in '89. New building design, signage, menus. PC: Triton Group Ltd.
49 (A)	**Westin Hotels & Resorts** Seattle, Wash. Lodging	427.4* (A)	—	267* (A)		Under new Japanese owners, chain committed to expansion. Broke ground on Walt Disney World Swan Hotel 1/88; will open Pacific Shanghai Hotel this year. Larry Magnan named new CEO 4/89. PC: Aoki Corp.
50 (49)	**Ogden Allied Services Corp.** New York, N.Y. Contract management	425.0 (388.5*)	9.4	1,725 (1,725*)	—	Diverse foodservice mgmt. co. continues expansion in all 6 divisions, including aviation, B&I, industrial and leisure services. Outdoor amphitheater business is strong in leisure.

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51 (72)	**Chi-Chi's Inc.** Louisville, Ky. Full service (dinner houses)	422.9 (370.0)	14.3	192 (201)	−4.5	Southwest-style dinner-house chain cut back 21 slow units to keep turnaround momentum going. Working on labor retention, some expansion. AUV is $2.5MM. PC: Foodmaker Inc.
52 (41)	**Inter-Continental Hotels Corp.** New York, N.Y. Lodging	420.0** (490.0*)	−14.3	424** (300*)	41.3	Grand Met sold co. to Seibu/Saison Group, Japanese firm. Growth planned in U.S., Mexico, Canada and China. Forum and Inter-Continental units open in Chicago in '89 and '90.
53 (A)	**El Torito Restaurants Inc.** Irvine, Calif. Full service (dinner houses)	390.0 (402.0)	−3.0	179 (187)	−4.3	The "lee-tle toros" new president is Mike Casey. Priority: improve business. 78 diverse units operate under names such as Casa Gallardo. PC: Restaurant Ent. Group Inc.
54 (55)	**Walt Disney Co.** Lake Buena Vista, Fla. Diverse restaurants	382.0 (336.0)	13.7	179B (182)	−1.6	Recreation leader growing on all fronts. Disney-MGM Studio theme park, Pleasure Island and Typhoon Lagoon to open at Disney World in '89; Splash Mountain set at Disneyland.
55 (A)	**Quality Inns International** Silver Spring, Md. Lodging	376.0 (A)	—	815 (A)	—	Quality's latest addition to hotel segmentation is the economy Sleep Inn. Co. plans to increase its international properties by 50% in '89. TV ads target senior and summer travelers.
56 (53)	**Perkins Family Restaurants L.P.** Memphis, Tenn. Full service (family dining)	375.0 (343.7)	9.1	341 (334)	2.1	Northeast chain closed 10 not-so-perky units. AUV at 114 company-owned stores is $1.2MM. Product development main '89 strategies. PC: Tennessee Restaurant Co.
57 (A)	**Captain D's** Nashville, Tenn. Full service (family dining)	374.3 (342.6)	9.3	588 (578)	1.7	Continues to feel impact of recapitalization. Slowing growth of company units, expanding franchised units. Increased same-store sales with operating efficiencies. PC: Shoney's Inc.
58 (A)	**TGI Friday's Inc.** Dallas, Texas Full service (dinner houses)	373.0 (364.0)	2.5	136 (128)	6.2	A banner year in '88 (net income increased 58% from '87 to $12.4MM) means growth in '89. Will build 8 company-owned units and 6 franchises, sell 19 to franchisees. PC: Carlson Cos.
59 (143)	**Days Inns of America Inc.** Atlanta, Ga. Lodging	370.8F (125.0)	196.6	698 (384)	81.8	'88 was banner year with 300 hotels added to chain. Growth for '89 predicted to be even greater, with 113 franchise agreements signed in first quarter alone.
60 (47)	**United Airlines** Elk Grove Village, Ill. Transportation	367.3† (397.6†)	−7.6	15 (18)	−16.7	Sold Westin Hotels to Japanese interest 1/88, and Hertz Rental Car Co. to Hertz execs and Ford 10/87. Aims to focus on core business—airlines. New kitchen at Dulles Airport.
61 (51)	**Rax Restaurants Inc.** Columbus, Ohio Fast food (sandwiches)	366.7** (358.3)	2.3	521 (529)	−1.5	Although sales at original salad bar (now evolved into fourth phase as lunch/dinner bar) constitute 25% to 30% of total, menus going back to sandwiches in '89. Fy end 7/89.
62 (58)	**Sonic Industries Inc.** Oklahoma City, Okla. Fast food (hamburgers)	356.0 (315.0)	13.0	980 (953)	2.8	Company showed a profit of $1.5MM for '88. AUV is $356K. Profits equal 11% of sales. Franchisees organized into advertising and purchasing co-ops. 70 new units planned for '89.
63 (79)	**Chili's Inc.** Dallas, Texas Full service (dinner houses)	350.0** (253.0**)	38.3	183 (146)	25.3	Plans 20-23 company-owned units and up to 15 joint-venture or franchised units in '89. In '88, introduced new menu and decor, opened 21 company-owned and 11 franchised units.
64 (A)	**Dobbs International Services Inc.** Memphis, Tenn. Contract management	348.0†* (A)	—	48 (A)	—	Airline caterer settles down to business after late '87 purchase by Greyhound. Launched "Quality Improvement" campaign. Opened new kitchen in Fort Myers, Fla. PC: Greyhound Corp.

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400: RANKING

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65 (70)	**K mart Corp.** Troy, Mich. Retail	342.6 (274.5*)	24.8	1,621 (1,559)	4.0	Reinforcing fs. operations. Expansion plans for 40-50 smaller existing stores will include space for fs. outlets. New stores will be designed with fs. near front entrance. Average seating: 34.
66 (56)	**U.S. Air Force Open Mess System** Randolph AFB, Texas Military	337.4† (331.0†)	1.9	270 (262)	3.1	Due to congressional "correction," the Air Force will begin phasing out military open mess managers. Prices and services to personnel will be adjusted accordingly.
67 (62)	**Pizza Inn** St. Louis, Mo. Full service (pizza)	325.0** (300.0**)	8.3	666 (786)	−15.3	Pizza's No. 4 is regional powerhouse. Co. repositioning from fast food to casual dining, offering pasta & salad buffet all day, all week, to nab quick-lunch, dinner crowd. PC: Pantera's Corp.
68 (A)	**Morrison Family Dining Division** Mobile, Ala. Cafeterias	323.0 (310.0)	4.2	170 (162)	4.9	Avg. check per person is $4.70; AUV, $1.9MM. Ten units opened in '88; 8 planned for '89. Breaking from tradition, some new units will be free-standing. PC: Morrison Inc.
69 (64)	**International House of Pancakes Restaurants** North Hollywood, Calif. Full service (family dining)	315.8 (297.5)	6.2	437 (454)	−3.7	Thirty something: 7/88 marked co.'s 30th birthday under blue roof; has grown through franchising in U.S., Canada, Japan. AUV now $668K. 20 openings, 3 closings in '89.
70 (A)	**Olive Garden** Orlando, Fla. Full service (Italian)	300.0 (200.0*)	50.0	134 (90)	48.9	Watching the Garden grow: Italian dinner houses making believers of skeptics in 37 markets; will run promo, "The Best of Italy Grows in the Garden." PC: General Mills Restaurants Inc.
71 (57)	**U.S. Air Force Engineering and Services Center** Tyndall AFB, Fla. Military	298.8† (319.5†)	−6.5	597 (669)	−10.8	Expanding and improving information management system. Automation implemented at 70 bases. Plans to increase cross-training for foodservice and service career fields.
72 (52)	**Greyhound Food Management Inc.** Phoenix, Ariz. Contract management	290.8* (350.0**)	−16.9	278 (450)	−38.2	Aim is to expand foodservice contract business (especially B&I); co. continues to divest itself of Cassano's pizza concept and bldg. maintenance div. to do so. PC: Greyhound Corp.
73 (68)	**Sky Chefs Inc.** Dallas/Fort Worth Airport, Texas Contract management	290.5† (275.8†)	5.3	40 (35)	14.3	Airline feeder purchased majority interest in Southwest Dining Service Inc., Texas-based contract foodservice co. Contracted to manage Eastern's new 133K-sq.-ft. kitchen in Atlanta.
74 (87)	**Bob Evans Farms Inc.** Columbus, Ohio Full service (family dining)	290.0 (220.0)	31.8	223 (196)	13.8	Good '88 harvest: 27 new units, increased sales. Closed most Chicago units. AUV is $1.45MM. '89 strategies: focus on breakfast and dinner, develop Owens Restaurants. Fy end 4/89.
75 (67)	**White Castle System Inc.** Columbus, Ohio Fast food (hamburgers)	282.0 (282.6)	−0.2	237 (236)	0.4	Quiet giant continues steady growth. AUV is $1.2MM, but chain reports flat customer counts. Opened first drive-thru-only in '88, plans more as well as 16 full-service. Fy end 1/89.
76 (73)	**Whataburger Inc.** Corpus Christi, Texas Fast food (hamburgers)	280.5* (265.0**)	5.8	415* (392)	5.9	Co. is general partner in 6 subsidiaries that lease land and buildings to company-owned stores. Will grow in current six-state market: Ariz., Texas, N.M., Okla., Tenn., Ala. and Fla.
77 (77)	**Furr's/Bishop's Cafeterias** Lubbock, Texas Cafeterias	272.8 (256.2)	6.5	157 (152)	3.3	128 Furr's in 10 states; 27 Bishop's in 7 states. Co. is carefully studying the Furr's Pie Kitchen concept—now 2 units in Texas—for possible future expansion in other areas.
78 (60)	**Beverly Enterprises** Pasadena, Calif. Health care	268.8† (308.0†)	−12.7	1,050 (1,052*)	−0.2	Downsizing of nursing-home giant still not complete. Reason: over-expansion and resultant losses. Dietary HQ now at Atlanta training center. New retirement venture in Japan.

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79 (A)	**Radisson Hotel Corp.** Minneapolis, Minn. Lodging	268.0 (200.0)	34.0	340 (316)	7.6	One of the fastest-growing upscale hotel companies, with number of properties tripling in past 4 years. Projects 240 properties by year's end, 350 by 1992. PC: Carlson Hospitality Group.
80 (69)	**Trans World Airlines Inc.** New York, N.Y. Transportation	267.0† (275.0†*)	−2.9	3 (3*)	—	Coming off its second record profit-making year in a row, at $259MM, up 8% from '87. (Last record-breaking profit year was '65.) Bought 40 new Airbus jets for $3.6 billion spring '89.
81 (75)	**Round Table Pizza** San Francisco, Calif. Full service (pizza)	267.0 (262.5)	1.7	540 (535)	0.9	Decor upgrade program and new delivery emphasis at Round Table. Co. opened fewer units than planned last year, but says 50 new stores are slated for '89, mostly West Coast.
82 (97)	**The Circle K Corp.** Phoenix, Ariz. Retail (convenience stores)	263.4* (190.0**)	38.6	4,600 (3,600)	27.8	In 9/88, acquired all 538 Charter Food Stores. McLane Convenience Foods bought co.'s fs. div. Steve Schwitalla resigned as senior v.p. to pursue "other interests." Fy end 4/89.
83 (85)	**Waffle House Inc.** Norcross, Ga. Full service (family dining)	262.1* (230.6*)	13.7	667 (610*)	9.3	Privately held co. with units in 20 states, mostly South Atlantic, begins 34th year with increased sales and units: 308 company-owned, 359 franchised. Plans 6 new units in '89. Fy end 6/89.
84 (83)	**Luby's Cafeterias Inc.** San Antonio, Texas Cafeterias	262.0 (232.9)	12.5	117 (103)	13.6	AUV is $2.35MM; average check, $4.53. 9 units opened in '88. On the drawing board, 12 for '89. Expanded takeout business by remodeling units with separate entrance.
85 (123)	**Shakey's Inc.** Irving, Texas Full service (pizza)	260.8^B (145.4)	79.4	405 (364)	11.3	Shakey's Intl., operating primarily in Japan, Philippines and Mexico, was reunited with domestic co. 2/89. Chain to open 12 new units in '89. Domestic AUV is $700K, intl. lower.
86 (74)	**Veterans Administration** Washington, D.C. Military	258.2† (264.3†)	−2.3	172 (162)	6.2	Reducing workloads; increasing automation; implementing efficiency reviews; developing proposals for advanced food preparation. Testing dental liquid diets.
87 (A)	**Quincy's Family Steak Houses** New York, N.Y. Full service (dinner houses)	251.0 (221.5)	13.3	211 (215)	−1.9	Addition of dessert bar to Country Sidebar helped increase customer count by 11%. Now testing breakfast. 10 units planned for '89 will be bigger, have new design. PC: TW Services Inc.
88 (81)	**Carvel Corp.** Yonkers, N.Y. Fast food (sweets)	243.8* (243.8*)	—	750 (750**)	—	Co. that pioneered the first specialty ice cream cakes held steady in '88, both menu-wise and expansion-wise. Projected addition of 50 new units on East Coast and in Los Angeles in '89.
89 (89)	**Piccadilly Cafeterias Inc.** Baton Rouge, La. Cafeterias	241.7* (217.5)	11.1	132 (116)	13.8	Recently acquired Ralph & Kacoo's seafood restaurant chain. Piccadilly will continue its venture into California with 2 additional units. 10 to 12 new cafeterias will be opened in '89.
90 (76)	**New York City Board of Education** Long Island City, N.Y. Schools	241.6†** (257.6†**)	−6.2	1,238 (1,207)	2.6	Breakfast marketing campaign by top school district included special Disney materials at 600 sites. Changes ahead include expanded salad bars, deli bars, pasta bars.
91 (84)	**U.S. Marine Corps** Washington, D.C. Military	240.0†** (231.8†**)	3.5	107 (109)	−1.8	Installing an automated information system for improved efficiency and tracking of products and costs; planning to continue facilities improvement; testing canned bread for field use.
92 (100)	**Ryan's Family Steak Houses Inc.** Greer, S.C. Full service (steakhouses)	234.0 (185.0)	26.5	122 (95)	28.4	CEO & Pres. T. Mark McCall, son of founder Alvin McCall, left co.; replaced by Charles Way. Will start advertising to support emphasis on building AUV rather than opening new stores.

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93 (A)	**Village Inn Pancake Houses** Denver, Colo. Full service (family dining)	233.0 (A)	—	272 (A)	—	Power breakfast: New management team for all-day breakfast concept. Opened 8 units, closed 10; will open 5 and close 21 in '89. Fy end 10/88. PC: VICORP Restaurants Inc.
94 (94)	**Chick-fil-A Inc.** Atlanta, Ga. Fast food (chicken)	232.9 (202.7)	14.9	390 (364)	7.1	New restaurants totaled 24 in '88, including 10th free-standing unit in Atlanta. More free-standing restaurants outside of malls to come, including first outside of Atlanta.
95 New Member	**Godfather's Pizza Inc.** Omaha, Neb. Fast food (pizza)	231.0 (261.0)	−11.5	534 (583)	−8.4	LBO worked; "Spooner Wiggins" ads didn't. New campaign back to sales basics of quality and value, features BaconCheesburger Pizza, dessert pizza, and Herman Cain. AUV $440K.
96 (157)	**Del Taco Inc.** Costa Mesa, Calif. Fast food (Mexican)	226.9* (110.0)	106.3	370 (200)	85.0	Analyzed customer acceptance of Del Taco & Naugles, will combine best of both in decor and menu as units convert to Del Tacos. Next stop, Pacific Rim. PC: AWR II Acquisition Corp.
97 (66)	**Hospital Corp. of America** Nashville, Tenn. Health care	226.8†* (288.8†*)	−21.5	300 (404)	−25.7	With LBO completed, cost containment, revenue enhancement are current buzz words at HCA. Dietary dept. coordinates networking of hospital food chiefs for decentralized chain.
98 (91)	**Mister Donut of America** Minneapolis, Minn. Fast food (sweets)	226.0 (210.0)	7.6	780 (709)	10.0	Placed emphasis on Canadian development and operations in '88. Solidified extension of baked goods product line. Double drive-thru satellites planned for '89.
99 (92)	**National Medical Enterprises Inc.** Orange, Calif. Health care	226.0†* (210.0†**)	7.6	657 (578)	13.7	Hillhaven nursing home chains and A.E. Brim subsidiaries are scheduled for spin-off. But central dietary dept. still oversees food/nutrition for these chains plus NME hospitals.
100 (A)	**Marie Callender Pie Shops Inc.** Phoenix, Ariz. Full service (family dining)	226.0 (A)	—	152 (A)	—	Callender year: Ramada, '88 PC, sold chain 5/89, bringing management reorganization and "Prototype 5700," space-efficient unit. PC: Wilshire Restaurant Group.
101 (A)	**Steak & Ale** Dallas, Texas Full service (steakhouses)	225.0** (256.0)	−12.1	159 (171)	−7.0	Will continue successful "Legend in steak" promo. Rolled out new lunch and dinner menus. All 3 cuts of prime rib continue to be best sellers. PC: Pillsbury Restaurant Group.
102 (110)	**California Department of Corrections** Sacramento, Calif. Institutions	224.0†** (168.6†**)	32.9	149 (75)	98.7	Big growth in feeding the state's 78,000 inmates. Phasing in cook-chill facilities (7 complete, 7 under construction) and standardizing menus, recipes. Fy end 6/30/89.
103 (145)	**TCBY Enterprises Inc.** Little Rock, Ark. Fast food (sweets)	210.0 (121.2)	73.3	1,175 (822)	42.9	Aggressive development of metropolitan markets and '87 field-support restructuring have contributed to rapid growth. New nonfat item to be added. Fy end 11/88.
104 New Member	**ShowBiz Pizza/Chuck E. Cheese** Irving, Texas Full service (pizza)	209.2* (177.0)	18.2	258 (275)	−6.2	New spinoff from Integra Corp. is restructuring debt, remodeling units, reformulating pies. New president Terry Spaight must decide whether to spin off 58-unit Monterey House chain.
105 (103)	**The Ground Round Inc.** South Weymouth, Mass. Full service (dinner houses)	209.0 (181.6)	15.1	215 (191)	12.6	Chain returned to Chicago market via purchase and remodel of 20 Stuart Anderson's. AUV $1.2MM; alcohol accounts for 25% of sales. PC: Hansen Plc., London. Fy end 4/89.
106 (116)	**Hyatt International** Chicago, Ill. Lodging	206.3 (160.0)	28.9	207* (200**)	3.5	F&B profits are 23% of total F&B sales. Worldwide sales offices reorganized into area/regional marketing centers. Will open new properties in Hong Kong and Taipei, Taiwan, in '89.

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Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
107 (82)	**Northwest Airlines Inc.** Egan, Minn. Transportation	205.3† (233.7†)	−12.2	67 (81)	−17.3	Carrier reports 3.4% decrease in passenger counts in '88, but travel miles up. Pacific flights offer "World Class Service": on-board chefs, upgraded wine lists, crystal.
108 (63)	**The Seiler Corp.** Waltham, Mass. Contract management	204.8* (224.4*R)	−8.7	400 (400)	—	Health-care market continues to be area of growth for diverse foodservice mgmt. co. All departments are refining marketing programs. Will grow in Southeast and Midwest.
109 (107)	**Harry M. Stevens Inc.** Cranbury, N.J. Contract management	200.0 (175.0)	14.3	40 (37)	8.1	Foodservice mgmt. and concessionaire expands "walk-through" concession design at Miami Arena and Central Park Zoo. Introducing Sports Parlors for simulcasting at race tracks.
110 (112)	**ServiceMaster Co., Food Management Division** Downers Grove, Ill. Contract management	200.0 (165.0)	21.2	260 (235)	10.6	Health-care and education foodservice contractor had a healthy increase in sales in '88. No new acquisition plans for '89, but eyes always open, esp. in health-care market.
111 (A)	**Bakers Square Restaurants** Denver, Colo. Full service/(family dining)	189.4** (155.8)	21.6	152 (138)	10.1	Square meals: All-day menu, but focus on dinner. Co. curtails down-sized "Taste of Bakers Square." Incentive program for store mgrs. Fy end 10/89. PC: VICORP Restaurants Inc.
112 (98)	**Wyatt Cafeterias Inc.** Dallas, Texas Cafeterias	189.0 (169.0)	—	120 (119)	0.8	Employees bought 100% of common stock through LBO, rejected buyout bid from Furr's/Bishops Cafeterias L.P. AUV is $1.6MM.
113 (106)	**Specialty Restaurants Corp.** Anaheim, Calif. Diverse restaurants	189.0 (178.0**)	6.2	74 (73)	1.4	Back-to-basics mentality meant refurbishing but no new units in '88; none planned for '89. Co. will remodel more Shanghai Red's, Castaways, Baby Doe's and 94th Aero Squadrons.
114 (113)	**Bally Resort Hotels** Chicago, Ill. Lodging	187.6* (164.2*)	14.3	29* (29*)	—	Las Vegas hotel and casino undergoing extensive renovation in all guest rooms and public areas. Floor-by-floor renovations should be complete by end of '90.
115 (A)	**Grandy's** Lewisville, Texas Fast food (chicken)	184.0 (185.0)	−0.5	206 (205)	0.5	Down-home look to be updated, lighter and brighter for '90s. Co. moving into 7 countries in Asia and South Pacific. One unit opened in Malaysia in '88, with more planned.
116 (111)	**Los Angeles Unified School District** Los Angeles, Calif. Schools	180.6†* (167.7†**)	7.7	580 (574)	1.0	With 187,000 breakfasts served a day, central production commissary plays key role. L.A. also serves more than 300,000 lunches a day plus 51,000 other meals, including day care.
117 (A)	**Stouffer Hotel Group** Solon, Ohio Lodging	178.4* (A)	—	96 (A)	—	Co. recently purchased renowned Stanford Court Hotel in San Francisco. Target expansion markets include San Diego, Boston, New York City, Atlanta and St. Croix.
118 (101)	**The Krystal Co.** Chattanooga, Tenn. Fast food (hamburgers)	178.0 (184.0)	−3.3	232 (243)	−4.5	Co. began franchising for first time in 56 years; plans to franchise double-drive-thru "Krystal Kwik" concept. AUV is $765K. Note that '87 was a 53-week fiscal year.
119 (115)	**Paragon Specialty Restaurants** San Diego, Calif. Diverse restaurants (full service/family dining)	177.0 (162.0)	9.3	85 (83)	2.4	Steakhouses becoming Hungry Hunter or Mountain Jack. Seafood units trade under 4 names: Boathouse Grill, Monterey Whaling Co., Whaling Station, Dock. PC: Paragon Restaurant Group.
120 (A)	**Stuart Anderson's Black Angus** Los Altos, Calif. Full service (steakhouses)	176.4* (A)	—	84 (A)	—	Co. continues to focus on West and Midwest. Opening one company-owned unit on West Coast this year. Will continue upgrading decor. PC: American Restaurant Group Inc.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method of reporting figures (‡) franchisee sales est. (R) revised

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
121 (122)	**Brown Derby Inc.** Cleveland, Ohio Full service (dinner houses)	174.0* (148.0)	17.6	70 (50)	40.0	A "new look" campaign. New and remodeled units will have skylights, lots of windows. Prototype opened in March in Dayton, Ohio. 5-10 new units planned for Fla.
122 (131)	**Tony Roma's—A Place for Ribs** Dallas, Texas Full service (dinner houses)	171.2* (136.8*)	25.1	118 (96)	22.9	17-year-old chain makes no bones about continued success, but won't divulge actual sales. Cash awards to stores offering outstanding service keeps employees happy.
123 (A)	**Country Kitchen International** Bloomington, Minn. Full service (family dining)	167.3 (169.2)	-1.1	252 (252)	—	Double the recipe: Co.'s goal is 500 Kitchens by end of '92. Interior remodel and signage update are key parts of "Blue Ribbon Taste" media campaign. PC: Carlson Hospitality Group.
124 (117)	**A&W Restaurants Inc.** Livonia, Mich. Fast food (sandwiches)	164.5 (154.0)	6.8	530 (531)	-0.2	After 10-year hiatus from franchising, co. looks forward to new growth in master franchise agreement with Carousel Snack Bars. Built 21 new units in '88, plans 30 more in '89.
125 (109)	**U.S. Navy Officer's and Enlisted Club System** Washington, D.C. Military	164.0† (168.6†)	-2.7	276 (261)	5.7	Recent congressional legislation removed appropriated fund subsidy for almost all clubs. Expects to overhaul current operations: needs assessments, customer surveys in progress.
126 (93)	**Mrs. Fields Inc.** Park City, Utah Fast food (sweets)	160.0 (203.2*)	-21.3	650 (700)	-7.1	Sales down this year as co. closed about 65 units. Seeking to revive itself by diversifying and combining: Recently acquired La Petite Boulangerie stores.
127 (126)	**dāka Food Service** Wakefield, Mass. Contract management	159.0* (142.6)	11.5	337 (347)	-2.9	Merged with Fuddruckers, San Antonio, Texas-based burger chain in '88. New parent co. is developing franchising plan for Fuddruckers. PC: Daka International.
128 (154)	**Omni Hotels Corp.** Hampton, N.H. Lodging	156.0 (116.8)	33.6	86* (80*)	7.5	Co.'s TV ad campaign recently received a gold award from the Hotel Sales and Marketing Association International. Four individual hotels won awards for F&B print ads.
129 (104)	**PoFolks Inc.** Nashville, Tenn. Full service (family dining)	155.5 (180.0)	-13.6	149 (164)	-9.1	Happy folks: '89 reorganization stops Chapter 11, brings traffic and 10% sales jump. New "2nd generation" design says: country home. So. Calif. is hot market, sales high. Fy ends 9/88.
130 (68)	**Concession Air Corp.** Grand Prairie, Texas Contract management	155.0 (A)	—	45 (A)	—	Co. added Sbarro Italian, Gold Star Chili and Nathan's Hot Dogs concepts to its airport concessions. New trend is food courts that center on a theme. PC: Delaware North Cos.
131 (A)	**Sbarro Inc.** Commack, N.Y. Full service (Italian)	154.0 (117.0**)	31.6	328 (253)	29.6	Italian cafeteria-style feeder still marching the malls, but seeking new venues too, esp. turnpikes and freestanding stores. Added 65 units last year, plans 80 in 1989.
132 (A)	**Sportservice Corp.** Buffalo, N.Y. Contract management	153.0 (A)	—	150 (A)	—	Sports concessionaire expects to make $195MM in new business in '89 and '90. Contract with new Chicago stadium alone to produce $20MM. PC: Delaware North Cos.
133 (A)	**Tastee Freez** Utica, N.Y. Fast food (sweets)	151.2 (104.0)	45.4	512 (421)	21.6	Co. plans to open 25 and close 10 to 15 units during '89. New design makes room for gourmet ice-cream counter. AUV is $267K. Profits 9% to 10% of sales. PC: DeNovo Corp.
134 (A)	**Embassy Suites** Irving, Texas Lodging	150.0 (A)	—	91 (A)	—	Chain comprises 67% of total all-suite hotels. Added 7 hotels in '88, 15 more under construction. Occupancy rate 70%. Garfield stays in ads. PC: Holiday Corp.

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400: RANKING

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135 (168)	**Trusthouse Forte Food Services Inc.** Trumbull, Conn. Contract management	148.0 (100.0)	48.0	398 (321)	24.0	Aggressive account acquisition in Calif. and Fla. in '88 helped raise revenues for this foodservice mgmt. co. Midwest is next focus area. PC: Trusthouse Forte Plc.
136 (99)	**F.W. Woolworth Co.** New York, N.Y. Retail (department stores)	144.0 (187.0*)	−23.0*	750 (1,050*)	−28.6	Stores eyeing convenience foods to curtail labor costs, yet retain quality. Looking to improve children's base to bring in parents. F.W.'s 19 Burger Kings (not incl. in sales) did $12MM.
137 (A)	**Winchell's Donut House** La Mirada, Calif. Fast food (sweets)	144.0 (158.5)	−9.1	668 (764)	−12.6	Sold license to Winchell's in Japan and now are solely in U.S. Changes in core products planned, including new doughnuts and low-sugar baked goods. PC: Denny's Inc.
138 (137)	**Mazzio's Pizza** Tulsa, Okla. Full service (Italian)	143.0 (130.0)	10.0	280 (350)	−20.0	¼ of Mazzio's units are actually Ken's Pizza, but both concepts run alike. Co. has phased out Scooter's Pizza Delivery concept. 120 units company-owned. AUV is $514K.
139 (A)	**Lee's Famous Recipe Chicken** Nashville, Tenn. Fast food (chicken)	142.4 (136.6)	4.2	282 (277)	1.8	Good year for Lee's, with sales up 18% and net increase of 7 new units. 70% of units converted to new "farmhouse" building design by end of '88. Fy ends Oct. 30. PC: Shoney's Inc.
140 (133)	**The Ritz-Carlton Hotel Co.** Atlanta, Ga. Lodging	142.0 (A)	—	40 (A)	—	First international property for Ritz-Carlton opens in Sydney, Australia, in '89. Domestic cities targeted for growth include Philadelphia, Cleveland and St. Louis.
141 (138)	**Fuddruckers Inc.** Wakefield, Mass. Full service (dinner houses)	141.0 (130.0)	8.5	117 (116)	0.9	Merger with daka moves co. to Mass. Terry Vince new chairman, Bill Baumhauer president. AUV $1.25MM. Four co. stores, 16 franchised units planned for '89. PC: Daka International.
142 (139)	**Red Lion** Vancouver, Wash. Lodging	140.0 (128.5)	8.9	127 (113)	12.4	Red Lion plans to open two new Calif. properties, the Red Lion Modesto and Red Lion San Diego, in '90. Co. also hopes to acquire properties in other markets.
143 (121)	**Food Dimensions Inc.** Emeryville, Calif. Contract management	140.0† (148.7†*)	−5.9	175 (115)	52.2	Health-care and nursing-home foodservice contractor reports a 95% account retention rate. Expanded in Southwest markets. Strong cafeteria merchandising. Fy end 8/88.
144 (146)	**The Wood Co.** Allentown, Pa. Contract management	138.7 (120.7)	14.9	235 (194)	21.1	Acquired Food Concepts Inc. on 1/6/89 (150 new accounts) in effort to increase business-dining services market. Customer-information service should enhance image, corp. profile.
145 (141)	**Braum Ice Cream & Dairy Stores Co.** Oklahoma City, Okla. Fast food (sweets)	134.9* (126.8*)	6.4	215 (200)	7.5	Family-owned chain opened 15 new restaurants in '88. Renovation plans include razing older stores, building new ones on site. New non-ice cream menu items to be added in '89.
146 (136)	**Caesar's World Inc.** Los Angeles, Calif. Lodging	134.2 (130.0)	3.2	37 (34)	8.8	Las Vegas operation added "Empress Court" Chinese restaurant in '88 as part of the Palace's expansion program. Cooks from China prepare many regional dishes.
147 (119)	**Club Corp. of America** Dallas, Texas Contract management	133.0 (152.9*)	−13.0	141 (225)	−37.3	Co. continues upgrading food and beverage service and is increasing staff training to enhance professionalism. Plans 20 new clubs in '89; opened 10 in '88.
148 (A)	**Harrah's Casino Hotels** Reno, Nev. Lodging	132.5 (A)	—	50* (A)	—	466-room Harrah's Del Rio, opened 8/88 in Laughlin, Nev., ran 95% occupancy rate in '88. $31MM expansion planned already. F&B ranges from fast food to gourmet. PC: Holiday Corp.

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400: RANKING

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149 (149)	**Papa Gino's of America** Dedham, Mass. Full service (pizza)	128.3 (120.0)	6.9	205 (200)	2.5	Pizza chain opened 15 units in '88, 3 in Fla. and 4 delivery-only stores in New England. Plans at least 6 more delivery-only units in '89. AUV is $650K. Fy end 9/88.
150 (140)	**Chicago Board of Education, Dept. of Foodservice** Chicago, Ill. Schools	128.0†* (128.2†**)	−0.2	587 (585)	0.3	New state-of-the-art facility includes test kitchen, will incorporate central bakery to produce, among other products, system's famous chocolate chip cookies.
151 (A)	**Ruby Tuesday** Mobile, Ala. Full service (dinner houses)	128.0 (96.0)	33.3	80 (64)	25.0	In '88, chain grew beyond Southeast base into Northeast and Midwestern markets. Will look for free-standing non-mall sites; testing barbecue and pasta. AUV is $1.6MM. PC: Morrison Inc.
152 (132)	**Mr. Gatti's Inc.** Austin, Texas Fast food (pizza)	127.0* (136.0)	−6.6	300** (338)	−11.2	Quiet-spoken pizza/sandwich concept has apparently cut back units after slow but steady growth. Doing drive-thru, takeout and delivery in Mid-Atlantic and Southeastern markets.
153 (A)	**Orange Julius** Minneapolis, Minn. Fast food (sweets)	125.0 (71.1*)	75.8	709 (744)	−4.7	Following acquisition by IDQ late in '87, 46 units closed, 4 were converted to Treat Centers and 15 new stores opened. PC: International Dairy Queen. Cautious growth ahead.
154 (A)	**El Pollo Loco** Santa Fe Springs, Calif. Fast food (chicken)	124.0 (A)	—	160 (A)	—	Things are clucking right along for the popular chicken chain with its Mexican-style product. Plans 50 new units in Southwest, Northwest, Calif., Nev., Fla. PC: TW Services.
155 (148)	**Kettle Restaurants Inc.** Houston, Texas Full service (family dining)	123.2 (120.0)	2.7	201 (207)	−2.9	What's cooking? Sales increase, unit decrease add up to main strategy for '88 and '89 of closing unprofitable units. 13 is lucky number closed in '88. Fy end 10/88.
156 (129)	**Navy Resale and Services Support Office** Staten Island, N.Y. Military	117.6† (138.9†)	−15.3	581 (650)	−10.6	Retail exchanges and commissary stores don't receive appropriated funds and budgets haven't been cut directly. But they're encouraged to provide "surplus" dollars to other depts.
157 (164)	**Taco John's International** Cheyenne, Wyo. Fast food (Mexican)	116.0 (102.6)	13.1	439 (420)	4.5	Co. continues to grow quietly within its Western market. Added 35 units in '88, has 30 more on the drawing boards. Closed 10 last year, will shutter another 5 by year's end.
158 (156)	**Chart House Restaurants** Solana Beach, Calif. Full service (dinner houses)	111.1* (111.1*)	—	60 (63)	−4.8	In its first major growth spurt since co.'s LBO in '86 from Diversifoods, Chart House opened 4 restaurants in first quarter 1989. Two more are still to come.
159 (155)	**El Chico Corp.** Dallas, Texas Full service (dinner houses)	110.0 (112.0)	−1.8	98 (98)	—	Company won't restructure or dispose of any significant part of its assets. Plans might involve sale of real estate, some stores. Will evaluate target markets.
160 (166)	**International Blimpie** New York, N.Y. Fast food (sandwiches)	110.0** (101.8**)	8.1	375 (300)	25.0	Sandwich chain focused on improving expansion through sale of more exclusive area distributorships in '88. 1989 marks 25th anniversary year. PC: Astor Restaurant Group.
161 (A)	**Howard Johnson** South Weymouth, Mass. Full service (family dining)	110.0** (102.0**)	7.8	136 (141)	−3.5	Remnant of once-mighty Orange Empire has new national food distribution system, will get new prototype design on first company-owned restaurant. PC: Franchise Associates Inc.
162 (A)	**Wienerschnitzel** Newport Beach, Calif. Fast food (sandwiches)	107.6* (100.0*)	7.6	274* (276)	−0.7	April '89 saw launch of Big Foot line, 5 varieties of foot-long hot dogs. During testing, items averaged 4% to 5% of sales without external advertising. Fy end 7/88.

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163 (159)	**Brown's Chicken** Lombard, Ill. Fast food (chicken)	105.0 (108.1*)	−2.9	158 (158)	—	Brown's held steady in '88 while updating training to improve service. Co. plans to remodel existing units and add 7 new units in next year. Fy end 10/1/88.
164 (264)	**Doubletree Hotels** Phoenix, Ariz. Lodging	105.0 (55.0)	90.9	90 (70)	28.6	Opening two new properties this summer in Dallas and Pasadena, Calif. In '88, Doubletree hotels gave away 2.5 million fresh chocolate chip cookies to first-time guests.
165 (193)	**Cracker Barrel Old Country Store Inc.** Lebanon, Tenn. Full service	104.4* (83.0)	25.8	67 (53)	26.4	Having a barrel of fun: With 17% increase in same-store sales over last year, 5 new units in '88. 7 planned for '89 will be financed by public stock offering. Fy end 7/88.
166 (173)	**Calif. Dept. of Rehabilitation, Business Enterprise Program** Sacramento, Calif. Institutions	102.8† (95.2†)	8.0	270 (278)	−2.9	'88 saw agency takeover San Francisco Master Postal Service Facility foodservice. Also added to highway rest-area vending-machine operations statewide. Fy end 9/88.
167 (A)	**Bojangles' Corp.** Charlotte, N.C. Fast food (chicken)	102.0** (A)	—	61 (71)	−14.1	Co. coming off restructuring effort, including selling of 63 units and refranchising others. Chain's sale to S.C. franchisee fell through. PC: The Horn & Hardart Co.
168 (190)	**Red Robin International** Irvine, Calif. Full service (dinner houses)	100.3 (85.0)	18.0	47 (47)	—	Co. plans 5 new company-owned stores, 3 in Southern Calif., 1 in Ore. and 1 in Wash. Two are models of new free-standing prototype. Co. also plans 10 franchised stores.
169 (151)	**Wag's Family Restaurants** Deerfield, Ill. Full service (family dining)	100.0 (119.3)	−16.2	91 (120)	−24.2	Tail end: Wave Wag's goodbye. New parent will convert Wag's to Allie's concept of full menu American plus food bars. Plan 62 Fla. Wag's conversions in '89. PC: Marriott Corp.
170 (177)	**Lyon's Restaurants Inc.** Foster City, Calif. Full service (family dining)	100.0 (92.0**)	8.7	65 (61)	6.6	LBO: In '88, management group led by president Thomas Glikbarg purchased co. from Sara Lee Corp. 24-hour restaurant chain will open 5 new units in '89. Fy end 6/88.
171 (161)	**J.B.'s Restaurants Inc.** Salt Lake City, Utah Full service (family dining)	99.7 (105.5)	−5.5	116 (110)	5.5	Bye-bye Big Boy: J.B.'s offically out of Big Boy system. Will sell underperforming units and aim for market focus, new store decor, stronger promotions. Fy end 9/88.
172 (172)	**Druther's International Inc.** Louisville, Ky. Fast food (hamburgers)	98.0 (96.2)	1.9	151 (162)†	−6.8	Company moved training programs from headquarters to the field. Ten units scheduled to open this year. AUV $645K. PC: Druthers International. Fy end 10/88.
173 (179)	**Fosters Freeze International** Arroyo Grande, Calif. Fast food (sweets)	95.0 (90.0)	5.6	200 (194)	3.1	Updating its look with new and contemporary units. Lighter foods in test market now. Added 6 new units in '88; plans to open 15 in next year. Customer counts up 20%.
174 (A)	**Dobbs Houses Inc.** Memphis, Tenn. Full service (family dining)	94.4* (A)	—	238 (A)	—	Airport concessionaire continues to grow after late '87 purchase by Greyhound. Added Pizza Strada scratch pizza concept in '88. Planning 25 units in '89. PC: Greyhound Corp.
175 (192)	**Trusthouse Forte Hotels** El Cajon, Calif. Lodging	93.1 (83.8*)	11.1	106 (83*)	27.7	Co. purchased Skylight Inns chain in '88. Plans for '89 include development of new Thriftlodge chain and continued expansion of the Travelodge chain in the U.K.
176 (176)	**Skipper's Inc.** Bellevue, Wash. Fast food (seafood)	93.0 (95.0)	−2.1	214 (219)	−2.3	Developing a new "takeout" service in 45-50 locations. Spending $1.5MM to remodel units. Increasing [illegible] by 4.5%. All expenditures grow to [illegible] of revenue.

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177 (152)	**Wometco Food Services** Anderson, S.C. Contract management	92.0^B (118.7†**)	−22.5	1,100* (1,140)	−3.5	Consolidating routes cut labor costs in '88 (currently 24% of total sales). Addition of a cook-on-site unit will add flexibility to contract foodservices. Fy end 6/89.
178 (257)	**The Registry Hotel Corp.** Dallas, Texas Lodging	92.0 (56.0)	64.3	37 (45)	−17.8	Registry added 2 properties in Denver and St. Petersburg, Fla., in 1988. Plans for '89 and '90 include 3 domestic properties and expansion into Europe and Pacific Rim.
179 (187)	**Loews Hotels** New York, N.Y Lodging	90.6 (86.2)	5.1	74 (74)	—	Co. will open 4 new F&B operations in 1989. '89 sees debut of first West Coast property, the Loews Santa Monica Beach Hotel, surrounded by local and national marketing events.
180 (178)	**Food Concepts Inc.** Rutherford, N.J. Contract management	90.0* (90.0*)	—	720 (720)	—	The "400" bids farewell to this foodservice mgmt. co. Some-150 B&I accounts bought by The Wood Co. on 1/6/89 to increase its dining services. Vending bought by Mycor.
181 (191)	**Swensen's Ice Cream Co.** Phoenix, Ariz. Full service (family dining)	90.0** (84.4*)	6.6	307 (356*)	−13.8	How sweet: In '88 Steve's bought Swensen's, moved HQ to Mass. Cardboard cut-out of founder Earle Swensen is sign for new "natural ice cream" rollout. PC: Steve's Ice Cream.
182 (185)	**Trans/Pacific Restaurants Inc.** Irvine, Calif. Diverse restaurants (full service/ dinner houses)	90.0 (86.9)	3.6	54 (54)	—	Sold 9 Jolly Roger units to pay down debt from '86 LBO. Concentrating on operating efficiencies to offset 15% jump in labor costs from Calif.'s higher minimum wage. Fy end 3/89.
183 (160)	**Humana Inc.** Louisville, Ky. Health care	88.8† (106.4†)	−16.5	82 (86)	−4.7	Unlike Hospital Corp. & National Medical Enterprises, Humana's food operations completely decentralized. Some equipment, supply purchasing handled at HQ.
184 (196)	**Benihana of Tokyo Inc.** Miami, Fla. Full service (dinner houses)	88.0 (79.6)	10.6	50 (48)	4.2	Co. launches new Benihana Cafe concept—a downsized version of original—with 2 New York locations in '89. Big Splash units are plain Benihana's; frozen food a memory.
185 (175)	**Mr. Steak Inc.** Littleton, Colo. Full service (steakhouses)	85.0 (95.0)	−10.5	125 (146)	−14.4	Retrenchment '88: 18 underperforming units closed. Co. emerges from Chapter 11 in 8/89, hopes to repeat success of "Fresh Taste of Summer" promo. PC: Jamco Ltd.
186 (204)	**Resorts International Inc.** North Miami, Fla. Lodging	85.0 (77.0*)	10.4	23 (24*)	−4.2	Under Merv Griffin's ownership, co. expects to project higher marketing profile in tight lodging market. Major renovation slated for Atlantic City property in late '89.
187 (224)	**Taco Time** Eugene, Ore. Fast food (Mexican)	85.0 (70.0)	21.4	292 (264)	10.6	Major corporate reorganization under way. TT shedding family-owned image. New Pres. Howard Ollis will restructure operations, beef up franchising arm, aim at foreign growth.
188 (202)	**Guest Services Inc.** Fairfax, Va. Contract management	83.0 (77.3†)	7.4	125 (147)	−15.0	Co. predicts sales up 10% in '89 from new Smithsonian Air and Space Museum restaurants and new contract at Washington, D.C.'s National Airport, serving 15MM passengers a year.
189 (228)	**HBJ Parks Inc.** Orlando, Fla. Recreation	82.1 (66.3)	23.8	93** (78)	19.2	Co. manages fs. at Sea World, Cypress Gardens and Boardwalk and Baseball theme parks. Added 20 outlets in '88. Revamping kitchens for better labor use. PC: Harcourt Brace Jovanovich.
190 (221)	**Professional Food-Service Management Inc.** Livonia, Mich. Contract management	82.0 (70.0)	17.1	142 (132)	7.6	Co. broadening customer base with move into B&I. Landed Lockheed and Nabisco accounts in Texas. Had a chance to sell co. but opted for ESOP instead. Fy end 8/88.

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400: RANKING

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191 (A)	**Steak'n Shake Inc.** Indianapolis, Ind. Full service (family dining)	82.0 (76.7)	6.9	110 (106)	3.8	Traffic up 1.2% from '87. AUV $792K. 4 units opened, 2 closed in 1988; 8 to open this year. Company increasing emphasis on training. Fy end 9/88. PC: Consolidated Products.
192 (A)	**Marriott Family Restaurants** Washington, D.C. Full service (family dining)	81.9* (A)	—	163* (A)	—	Right up their Allie's: 14 units opened in San Diego; 87 more conversions in '89 from co.'s Howard Johnson, Wag's, Bob's Big Boy, Jolly Roger and Bickford's. PC: Marriott Corp.
193 (183)	**U.S. Dept. of Justice, Federal Prison System** Washington, D.C. Institutions	81.8† (88.2†)	−7.3	50 (47)	6.4	Despite 3 new federal prisons, overall numbers reflect a slight decrease because of cutbacks. Menus are also being revised to become "heart healthy." Fy end 9/30/88.
194 (A)	**Restaurant Associates Group** New York, N.Y. Diverse restaurants (full service/ dinner houses)	80.9 (A)	—	20 (A)	—	In '88, launched Panevino, Italian concept; moved Mamma Leone's to new N.Y.C. site. Will open Caffe Sport restaurants in Embassy Suites. PC: Restaurant Associates Corp.
195 (208)	**Princess Hotels International** New York, N.Y. Lodging	80.7* (75.7*)	6.6	34 (33)	3.0	Co. now has 7 properties with addition of Palm Springs Marquis Hotel & Villas. Scottsdale property's new restaurant, Marquesa, features cuisine of northern Spain.
196 (198)	**Lettuce Entertain You Enterprises Inc.**, Chicago, Ill. Diverse restaurants (full service/ dinner houses)	80.7 (78.5)	2.8	26 (31)	−16.1	Co. opened 2 restaurants in '88—Hat Dance and Tucci Benucch. Opened The Eccentric with investor Oprah Winfrey first quarter '89; 2 more planned this year.
197 (A)	**Taco Villa Inc.** Dallas, Texas Fast food (Mexican)	80.3 (84.2)	−4.6	147 (120)	22.5	Last remnant of W.R. Grace's high-flying empire closed 45 units in '88 and sold 23; but 12 new stores opened and 10 more to follow. TV ads, enhanced design, decor.
198 (215)	**Convenient Food Marts** Rosemont, Ill. Retail (convenience stores)	80.0* (72.5*)	10.3	1,282 (1,310*)	−2.1	60 franchisees left system to operate under their own names after co. repurchased territories from regional subfranchisees, adjusted '87 results down $6.3MM.
199 (200)	**Six Flags Corp.** Arlington, Texas Recreation	80.0 (78.0)	2.6	350 (350)	—	Co. runs fast-food concessions and 1-2 full-service restaurants at each of 9 parks; 30-75 food stands per park. Co. upscaled nacho platter, now testing breaded vegetables.
200 (249)	**Old Country Buffets** Eden Prairie, Minn. Cafeterias	79.8C (58.3C)	36.9	60 (36)	66.7	Seventeen units opened in 1988. Plan to open 20 units in 1989, with expansion outside of the Midwest. Customer counts have increased 45%. Fy end 3/89. PC: Buffets Inc.
201 (428)	**Circus Circus Enterprises** Reno, Nev. Lodging	79.3 (25.5**)	211.0	15* (6)	150.0	Construction continues on the 4,032-room Excalibur hotel and casino in Las Vegas. Scheduled for a mid-'90 opening, Excalibur will feature 7 or 8 restaurants, seating for 3,000.
202 (144)	**Mrs. Winner's Chicken** Brentwood, Tenn. Fast food (chicken)	78.1*R (124.7)	−37.4	169 (196)	−13.8	Sell-off of units, started in '87, will continue. Co. considering reducing size of stores. New roast chicken product geared toward health-conscious patrons.
203 (A)	**International King's Table Inc.** Eugene, Ore. Cafeterias	78.0 (90.0)	−13.3	87 (90)	−3.3	When first purchased by Horn & Hardart in early '88, an accelerated expansion program was put into gear. Co. plans to continue growth in target market. PC: Horn & Hardart Co.
204 (213)	**New Jersey Dept. of Corrections** Trenton, N.J. Institutions	77.8†** (73.9†**)	5.3	46 (45)	2.2	Agency continues expansion, adding a prison in '88 and plans another in '89. Continuing to implement computerized Food Management Information System (FMIS). Fy end 6/30/89.

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205 (197)	**Bill Knapp's Michigan Inc.** Battle Creek, Mich. Full service (dinner houses)	77.3* (78.5*)	−1.5	63 (67)	−6.0	Founded in 1948, privately held co. with restaurants near highways in Mich., Ohio, Ind., Ill. and Fla., sticks to its original home-style concept.
206 (186)	**Adventist Health System** Shawnee Mission, Kan. Health care	75.8†* (86.5†)	−12.4	161 (143)	12.6	Co. contracts with National Indep. Food Distributors Assoc., in 4 regions, but basic purchasing handled by individual units. Nutri-Group is Western region fs. mgmt. firm.
207 (80)	**Delaware North Cos. Inc.** Buffalo, N.Y. Contract management	75.4^{B} (246.8*)	−69.4	122^{B} (292)	−58.2	Beside Sportservice and Concession Air, this holding co. owns such fs. concerns as Letheby & Christopher, contract caterer for sports events, and Dairy Farm Aircraft Catering.
208 (212)	**Prime Motor Inns** Fairfield, N.J. Lodging	75.0** (74.0)	1.4	75 (70)	7.1	Prime and New World Development Co., Hong Kong, have purchased Ramada's hotel business for $540MM. Prime will become franchisor of both Ramada and Rodeway hotels.
209 New Member	**Daughters of Charity Health Systems** St. Louis, Mo. Health care	75.0†* (—)	—	32 (—)	—	Largest Catholic-sponsored hospital system negotiates purchasing contracts nationally; also consults on fs. productivity and some facilities design.
210 (A)	**Taco Bueno** Dallas, Texas Fast food (Mexican)	74.0* (59.7**)	24.0	120 (121)	−0.8	New Pres. Ted Papit, Jerrico alumnus, brought along top Long John Silver's mgmt. New efforts to restructure and reposition co. PC: Unigate Restaurants Inc.
211 (A)	**Prufrock Restaurants** Dallas, Texas Full service (dinner houses)	73.9 (56.0)	32.0	60 (50)	20.0	Under new president Angelo Pitillo, co. plans 9 new company-owned and 3 new franchised Black-eyed Pea restaurants in '89. PC: Unigate Restaurants Inc.
212 (233)	**Fairmont Hotels** San Francisco, Calif. Lodging	73.0 (65.0)	12.3	21 (21)	—	Construction begins Sept. '89 on new Washington, D.C., Fairmont, to open autumn '91. San Francisco Fairmont recently introduced "Belle Voce" Italian restaurant.
213 (222)	**New York State Office of Mental Health** Albany, N.Y. Institutions	72.8† (70.0†**)	4.0	32 (32)	—	Ongoing cook-chill adoption and systemwide computerization were '88 highlights. 2 more units scheduled to open in '89, as well as new menu item introductions. Fy end 3/31/89.
214 (216)	**National Heritage Corp.** Dallas, Texas Health care	71.4† (71.1†)	0.4	221 (231)	−4.3	Nursing-home chain sets nutrition policy regionally through 3 panels of mgrs. in Denver, Atlanta, and Shreveport, La. Just acquired 30-facility Retirement Corp. of Amer.
215 (237)	**TrettCo Inc.** Farmington Hills, Mich. Contract management	70.6† (63.4†)	11.4	95 (86)	10.5	Operator of HDS Services and Triplett Services is upscaling cafeteria and resident/guest-services operations. Opened Southeast regional office in Daytona Beach, Fla.
216 (A)	**Marriott Travel Plazas** Washington, D.C. Full service (family dining)	69.8* (A)	—	90* (A)	—	In '89, Marriott to build 21 restaurants at 8 travel plazas in Florida and remodel 9 others. Many branded names in concept; AUV up 14% in '88. PC: Marriott Corp.
217 New Member	**Health Trust Inc.** Nashville, Tenn. Health care	69.8†* (—)	—	104 (—)	—	New entry to "400" is ESOP spin-off of Hospital Corp. of America; small dietary staff charged with tightening, improving food in smaller for-profit hospitals.
218 (251)	**Houston's Restaurants** Atlanta, Ga. Full service (dinner houses)	69.6 (58.0**)	20.0	18 (16)	12.5	Co. opened its third Houston and third Atlanta Houston's in '88. Will open 2 more units this year: 1 in Phoenix and 1 in New Orleans. No major design changes planned.

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219 (226)	**Sonny's Real Pit Bar-B-Q Inc.** Gainesville, Fla. Full service (barbecue)	69.4* (68.5)	1.3	79 (75)	5.3	Gainesville, Fla.-based M Group Intl. acquired 4 co-owned stores & franchising co. 12/88. New Pres. Robert B. Malkani plans growth in existing markets, looking north, east, west.
220 (A)	**The Häagen-Dazs Shoppe Co.** Teaneck, N.J. Fast food (sweets)	69.0** (66.0)	4.5	315 (301)	4.7	New strategy stimulates sales through luxury soft ice cream and improved merchandising and service. Upgrading store decor. PC: Pillsbury Restaurant Group.
221 (105)	**Western Steer** Claremont, N.C. Full service (steakhouses)	68.9* (A)	—	202 (A)	—	Rolled out hot bar, including items for health-conscious diners. Completed sale of Country Store concept to Kelley & Partners for $6MM plus 80K shares of common stock.
222 (276)	**Valley Food Service Corp.** Jackson, Miss. Contract management	68.9† (51.0†)	35.1	110 (105)	4.8	Fs. mgmt. co. plans new correctional facilities division in '89. Identification of strengths and weaknesses resulted in new systemwide marketing program.
223 (A)	**Ramada Gaming Group** Phoenix, Ariz. Lodging	68.5 (A)	—	15* (A)	—	Co. will rename following sale of hotel group. $200MM expansion of TropWorld Casino in Atlantic City completed and new hotel/casino in Laughlin, Nev., opened in '88.
224 (223)	**C.A. Muer Corp** Detroit, Mich. Diverse restaurants (full service/ dinner houses)	68.0 (70.0)	−2.9	19 (14)	35.7	Decentralized restaurant management tranferring more responsibility to unit managers. Also opened 5 new seafood restaurants in '88, all on Florida's East Coast.
225 (265)	**Ohio Dept. of Mental Health** Columbus, Ohio Institutions	67.2†** (54.9†)	22.4	84 (80)	5.0	62% of business is purchasing food for Rehabilitation and Corrections Dept., other agencies include mental health/retardation facilities and youth services. Fy end 6/30/89.
226 (244)	**Eat'N Park Restaurants Inc.** Pittsburgh, Pa. Full service (family dining)	67.0 (61.0)	9.8	49 (46)	6.5	24-hour family restaurant continues to develop in-store bakeries, enlarge and remodel existing sites. Customer count increased by 7% in '88. Opened 2 new units, plan 3 more in '89.
227 (A)	**Garcia's Mexican Restaurants** Scottsdale, Ariz. Full service (dinner houses)	67.0 (58.0)	15.5	44 (33)	33.3	Earnings fall blamed on interest rate and rising insurance costs. But Mexican fared better than 4 seafood operations: 3 of those closed. PC: Famous Restaurants Inc.
228 (272)	**Pizzeria Uno Restaurants** West Roxbury, Mass. Full service (pizza)	66.4 (52.3)	27.0	54 (41)	31.7	Ever-popular pizza: Customer counts were up 7% and AUV was up to $1.6MM in '88. Co. plans 20 new units for '89. Menu expansion continues; fajitas were new item in '88.
229 (231)	**The May Co.** St. Louis, Mo. Retail	66.0* (65.8*)	0.3	395* (394**)	0.3	Retail giant has no plans to expand number of cafeteria operations. In fact, it has been quietly de-emphasizing foodservice and might be planning to phase it out altogether.
230 (239)	**New York City Health and Hospitals Corp.** New York, N.Y. Health care	65.4†* (63.0†)	3.8	16 (16)	—	Serving more than 26,000 meals per day, agency bore brunt of NYC's AIDS epidemic, handling 35% of city's cases. 11 acute-care hospitals, 5 long-term facilities with 10K beds.
231 (170)	**Pioneer Take Out Corp.** Los Angeles, Calif. Fast food (chicken)	65.0 (98.2*)	−33.8	202 (252)	−19.8	Reorganized in '88. Launched "We do chicken better" TV campaign, comparing Pioneer chicken to KFC. New menu items, remodeled units planned to increase sales.
232 (A)	**Acapulco Mexican Restaurants** Long Beach, Calif. Full service (dinner houses)	64.0 (A)	—	41 (A)	—	LBO from Restaurant Associates 3/88: Slow growth will continue as co. pays down debt. Finished converting 8-unit Casa Vallarta chain into Acapulco restaurants in '88.

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233 (263)	**The Levy Restaurants Inc.** Chicago, Ill. Diverse restaurants (full service/dinner houses)	62.5 (55.0)	13.6	31 (30)	3.3	Opened Eurasia and Hopper's Dining Car. 2 new restaurants—Portobello Yacht Club and Fireworks Factory—debut in '89 at Walt Disney World; another opens in Chicago's zoo.
234 (269)	**Pancho's Mexican Buffet Inc.** Fort Worth, Texas Full service (family dining)	61.9 (54.0)	14.6	65 (56)	16.1	Expanding out of the "Oil Patch," where customer counts were down 2.5%. New markets include Denver; Little Rock, Ark.; Atlanta; northern Fla. Only 1 new store in Texas.
235 (262)	**Ohio Dept. of Rehabilitation & Correction** Columbus, Ohio Institutions	61.0† (55.7†)	9.5	23 (17)	35.3	Major player in this fast-growing segment. Four more prisons were added in '88 and 2 more are scheduled to open in '89. Dept. divided into North and South regions. Fy end 6/30/88.
236 (219)	**Associated Hosts Inc.** Beverly Hills, Calif. Diverse restaurants (full service/dinner houses)	60.0** (70.2**)	−14.5	54 (60)	−10.0	Co. will convert many one- or two-unit concepts—Smuggler's Inns, Nelson's Landing, Julie's Place and Outrigger—into Bombay Bicycle Clubs in '89. PC: Industrial Equity Ltd.
237 (279)	**Sanese Services Inc.** Columbus, Ohio Contract management	60.0 (50.0)	20.0	2,000 (53[C])	—	Vending makes up two-thirds of this foodservice contractor's business; those units counted in this yr.'s total. In '89, new Mansfield, Ohio, office will increase coverage.
238 (195)	**Restaurants Unlimited Specialty Rstnts.** Seattle, Wash. Diverse restaurants (full service/dinner houses)	60.0 (A)	−25.0	20 (A)	—	Las Vegas unit closed in '88. Palomino, new "Euro-bistro" concept, plus 2 others to open this year. Company testing Zoopa, limited-service concept. PC: Restaurants Unlimited Inc.
239 (210)	**The Great American Chocolate Chip Cookie Co.** Atlanta, Ga. Fast food (sweets)	60.0* (75.0*)	−20.0	300** (375)	−20.0	Atlanta-based cookie co. with units scattered throughout U.S., reluctant to divulge information, but experiencing flat sales with rest of cookie industry. Fy end 6/89.
240 (300)	**Hard Rock Cafe America** Los Angeles, Calif. Full service (dinner houses)	60.0 (45.2)	32.7	7 (6)	16.7	Pres. Peter Morton says co. plans "abstract new concept" late '89. Co. opened unit in Sydney, Australia, March '89; will open in Las Vegas fall '89, and Melbourne, Australia, '90.
241 (383)	**Stuckey's Corp.** Marietta, Ga. Full service (family dining)	60.0[B] (32.0)	87.5	127 (120)	5.8	Well, hello Stuckey's! Nice to have you back in "400." 53-year-old chain upgraded half its stores. Adding retail space through new glass-and-neon prototype. Breakfast 35% of sales.
242 (243)	**Veterans Canteen Service** Washington, D.C. Military	59.9† (62.2†)	−3.7	172 (172)	—	Established in-house food-training school. Planning to devise cycle menu centered on "healthful" items. Currently testing low-salt items and other "light" products.
243 (277)	**Dade County Schools, Foodservice Div.** Miami, Fla. Schools	58.1†* (50.9†**)	14.1	290 (288)	0.7	Fast-food impact reaches beyond menus: walk-up service windows, outdoor kiosks, upbeat packaging with school logos. Menus sent to homes help promote breakfast.
244 (A)	**Rusty Pelican Restaurants Inc.** San Diego, Calif. Full service (seafood)	58.0 (60.2)	−3.7	21 (21)	—	Close-to-the-vest company's only comment is that steady growth will be in the plans for '89. Fy end 11/89. Parent runs other seafood concepts. PC: Paragon Restaurant Group.
245 (266)	**Houston Independent School District** Houston, Texas Schools	57.4†* (54.6†**)	5.1	227 (225)	0.9	Lunches are served to nearly 60% of enrollment & breakfasts to more than 20%. (Texas is one state that mandates breakfast service.) Other meals served each day total 50,000.
246 (A)	**Bombay Bicycle Club** Beverly Hills, Calif. Full service (dinner houses)	56.8* (56.8*)	—	43* (43*)	—	In '89, casual-dining veteran plans 2 new restaurants with updated, brighter design. Co. sold to foreign investment firm late '88. PC: Industrial Equity Ltd.

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247 (274)	**McCrory Stores** York, Pa Retail	56.5 (52.0**)	8.7	326 (327)	−0.3	Investing capital dollars in remodels and renovations of locations with big earning potential, mostly in major malls. 34 projects are on the boards in '89
248 (A)	**Manor Health Care** Silver Spring, Md Health care	56.0† (52.6†*)	6.5	139 (144*)	−3.5	18K-bed nursing-home chain operates via 5 divisional HQ. Unusual for nursing-home chain—some food-management contracts, primarily Wood Co. in Pa. PC: Manor Care Inc.
249 (287)	**Togo's Eatery** Campbell, Calif Fast food (sandwiches)	55.5 (48.0)	15.6	120 (112)	7.1	Specialty sandwich co. continues to grow with AUV at $440K, up 10K over '87 average. Plans to increase ad budget $125K to $200K in '89 (mostly radio). PC: MTC Management Inc.
250 (246)	**David's Cookies** New York, N.Y. Fast food (sweets)	55.5* (60.0*)	−7.5	375* (400)	−6.2	Despite diversifying into ice cream and wholesale food products such as cookie dough a few years ago, experienced apparent revenue losses in '88 and closed units
251 **New Member**	**Target Stores Inc.** Minneapolis, Minn Retail	55.0* (—)	—	350 (—)	—	Lots of arrows in the quiver. Has committed to fs as part of customer-service program. Opening 60 stores in the Southeast, and plans foodservice, mostly snack bars, in all
252 (235)	**K-Bob's Steak Houses Inc.** Dallas, Texas Full service (steakhouses)	54.6* (64.5)	−15.3	65 (85)	−23.5	"Oil Belt" co. closed or sold 16 unprofitable units in '89; this yr. will bring just 5 closings, 3 openings. Food costs 40% of sales, labor 23%, average check $6.50
253 (270)	**U.S. Army Medical Department** Falls Church, Va Military	54.6† (53.5†)	2.1	51 (51)	—	Expanding the introduction of new computer systems for foodservice management and nutritional analysis. Implementing low-sodium, other health initiatives.
254 (259)	**Bobby McGee's USA Inc.** Phoenix, Ariz Full service (dinner houses)	53.0** (56.0**)	−5.4	20 (20)	—	First East Coast unit opened Jan. '89 in Charlotte, N.C., in an Embassy Suites hotel. Co. plans units in Fla., Va. and Australia. Opened first foreign unit in Australia.
255 (297)	**Pointe Resorts** Phoenix, Ariz Lodging	53.0* (46.0)	15.2	11 (10)	10.0	In addition to the three existing Phoenix, Ariz., resorts, co. looks to add a new resort property in San Diego in '92. Tapatio Cliffs added golf course restaurant.
256 (A)	**Velvet Turtle** Newport Beach, Calif Full service (dinner houses)	53.0* (A)	—	21 (A)	—	No new units in '88, none for '89. Co. is holding steady at 21 current units—all in the West (15 in Los Angeles, 5 in San Francisco, 1 in Phoenix). PC: American Restaurant Group Inc.
257 (290)	**The Boyd Group** Las Vegas, Nev Lodging	52.8 (47.7)	10.7	27 (26)	3.8	Has plans to add a tower of 1,500 rooms to Stardust Hotel and Casino in Las Vegas; construction should be under way by mid-'89. Other properties targeted for expansion.
258 (282)	**AMTRAK** Washington, D.C. Transportation	52.5† (50.0†)	5.0	350 (44)	1.7	Nation's RR reports 10% rise in traffic last year, upgrading rail service, especially on Eastern corridor. Testing china and glassware for dining service on long hauls.
259 (283)	**Peter Piper Inc.** Phoenix, Ariz. Fast food (pizza)	52.4* (50.0)	4.8	[illegible] (09)	1.8	New Pres. Roger Blanton plans to take regional co. to national chain through steady, methodical growth. Entered lunch business and opened 9 stores in '88.
260 (299)	**Sirloin Stockade International** Hutchinson, Kan. Full service (steakhouses)	52.3 (45.2)	15.7	67 (66)	1.5	Co. improved menu board and marketing programs, will expand decor packages. Great American Steak Sale was best promo of yr., plan 4 major campaigns in '89. Fy end 6/30.

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261 (268)	**Sea Galley Stores Inc.** Mountlake Terrace, Wash. Full service (dinner houses)	52.0 (54.0)	−3.7	45 (50)	−10.0	Chain plans to concentrate on remodeling. Adding television ads to promotional arsenal. Campaigns will emphasize value orientation. No additional units planned for '89.
262 (280)	**Carousel Snack Bars Inc. of Minnesota** Minneapolis, Minn. Fast food (sandwiches)	52.0** (50.0**)	4.0	290 (330)	−12.1	Co. will convert 200-250 of various concepts into A&W Hot Dogs units (licensing agreement signed 2/89). In those already converted, sales increased an average 19%. Fy end 5/88.
263 (294)	**Schlotzsky's Inc.** Austin, Texas Fast food (sandwiches)	52.0 (46.4)	12.1	238 (214)	11.2	"Original Sandwich" maker plans to increase the number of company-owned stores, and says Texas is the ideal place to do it. Established national purchasing program in '88.
264 (296)	**Adam's Mark Hotels** St. Louis, Mo. Lodging	52.0* (46.0)	13.0	28 (28)	—	Food and labor costs make up 32% each of F&B sales at hotels. In 1988, put emphasis on training programs and more cost-effective equipment changes.
265 (284)	**Legal Sea Foods Inc.** Boston, Mass. Full service (dinner houses)	52.0 (49.7)	4.6	6 (6)	—	Co. will double units within 3 years. Will emphasize product quality in marketing by promoting in-house sanitation and emphasize the need for consumer protection.
266 (A)	**Charlie Brown's restaurants** New York, N.Y. Full service (dinner houses)	51.9 (A)	—	36 (A)	—	Concept includes 26 Charlie Brown's, 5 Office Restaurants. Co. plans 2 new Charlie Brown's this year, but will keep Office numbers flat in '89. PC: Restaurant Associates Corp.
267 New Member	**Showboat Inc.** Las Vegas, Nev. Lodging	51.9 (—)	—	20* (—)	—	New management boosted 4th-qtr. revenues to record levels at Atlantic City hotel/casino. Hopes to revitalize Las Vegas property by promoting bowling and sports facilities.
268 (261)	**Dept. of Public Welfare-Commonwealth of Pa.** Harrisburg, Pa. Institutions	51.8†** (56.0†**)	−7.5	35 (33)	6.1	Primary responsibilities include mental-health facilities, hospitals and youth-development centers. Implemented cook-chill facilities in 3 units in '88. Fy end 6/30/89.
269 (358)	**T.J. Cinnamon's Bakeries** Kansas City, Mo. Fast food (sweets)	51.0 (35.0)	45.7	229 (201)	13.9	Highly successful cinnamon bun chain sweetened pot in '88 with new stores. Growth to continue, with franchisee commitment to open 500 bakeries in next 3 years.
270 (295)	**K&W Cafeterias Inc.** Winston-Salem, N.C. Cafeterias	50.2 (46.0**)	9.1	21 (20)	5.0	Customer counts up; average check is now $3.32. Co. opened two new units in '88, projects another opening for '89. Mid-Atlantic is chain's primary market.
271 (214)	**Universal Services Inc.** Seattle, Wash. Contract management	50.0 (73.5*)	−32.0	130 (211*)	−38.4	Business as usual for this fs.-support outfit servicing offshore oil rigs in Alaska, North Sea, Calif. and Gulf of Mexico. PC: International Catering Enterprises.
272 (301)	**Trader Vic's** San Francisco, Calif. Full service (dinner houses)	50.0 (45.1*)	10.9	20 (20)	—	Didier Peyron, new head of co., plans to simplify concept and make it less labor intensive. Streamlining decor to include "less junk" for cleaner, more authentic look.
273 (281)	**Dino's/Crusty's USA Inc.** Livonia, Mich. Fast food (pizza)	50.0* (50.0**)	—	205 (205)	—	Co. is converting all carryout and delivery units to Crusty's logo. Sit-down restaurants will still fly Dino's banner. Co. reports weekly store AUV of $7K for annual AUV of approx. $364K.
274 (203)	**Mariner Hotel Corp.** Dallas, Texas Lodging	50.0 (77.3)	−35.3	27* (104)	−74.0	Co. plans to expand by buying and repositioning undervalued properties in overbuilt markets. Development of limited-service hotels for the economy market a priority in '89.

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275 (437)	**Everything Yogurt Inc.** Staten Island, N.Y. Fast food (sweets)	50.0 (25.0)	100.0	200 (179)	11.7	"400" newcomer doubled sales since last year with addition of 21 units. Growth will continue with projected 40 new restaurants in '89. New 3K-sq.-ft. HQ coming.
276 New Member	**The Original Cookie Co.** Cleveland, Ohio Fast food (sweets)	50.0 (—)	—	248 (—)	—	Gourmet line in new sizes, end-of-day sell-off policy helped boost sales. 35 new stores in '88, plans for 25 more in '89, mostly in high foot-traffic shopping malls. PC: Medial S.A.
277 (A)	**Country Pride Restaurants** Cleveland, Ohio Full service (family dining)	50.0* (A)	—	37 (A)	—	3 new units caused slight increase in customer counts at 22-state chain. In '89, "All-U-Can-Eat Country Breakfast" promo, 2 openings, 2 closings. PC: Truckstops of America.
278 (255)	**American Medical International Inc.** Beverly Hills, Calif. Health care	49.3† (56.4†*)	−12.6	55 (90)	−38.9	Hectic year for hospital chain included ESOP spin-off of 36 hospitals, 4000 beds; future might include sale of other domestic and majority of 20 European hospitals.
279 (291)	**Maid-Rite Products Inc.** Des Moines, Iowa Fast food (hamburgers)	48.5 (47.0)	3.2	148 (131)	13.0	New prototype building with upscale '50s diner look (lots of black, white and red tile, juke box) is on its way for this burger chain. Switched to nationwide distributor.
280 (305)	**Huddle House Inc.** Decatur, Ga. Full service (family dining)	48.5 (44.7)	8.5	132 (130)	1.5	Breaking out of huddle with new signals: New high-visibility signage, extensive remodeling, total menu upgrade. 28 new units for '89, mostly Southeast. Fy end 4/30/89.
281 (308)	**School District of Philadelphia** Philadelphia, Pa. Schools	48.2†** (44.0†**)	9.5	262 (260)	0.8	Computers make news this year—accountability program expanded, pilot meal accounting systems begin in 4 units. New equipment for kitchens, cafeterias.
282 (253)	**Beefsteak Charlie's Inc.** New York, N.Y. Full service (steakhouses)	48.0 (57.0)	−15.8	42 (49)	−14.3	Cut out several mgmt. levels, reducing overhead. Co. fighting rising food costs with long-term buying agreements, deals with producers. PC: Bombay Palace Restaurants.
283 (236)	**Magic Pan** San Francisco, Calif. Full service (dinner houses)	47.0 (64.0)	−26.6	54 (58)	−6.9	In '88 bought 30-state licensing rights for the Soup Exchange. In '89, plan 15 Exchanges, 5 Magic Pans, 10 Frogg Lanes, 10 All American Soup & Salad restaurants.
284 (309)	**MCL Cafeterias** Indianapolis, Ind. Cafeterias	47.0 (44.0)	6.8	27 (27)	—	AUV $1.74MM. Average check $4.40. Customer counts increased 1.7% from '87 to '88. Plans are to open 1 unit in '89. No units opened in '88. Focus on carry-out, salad bars.
285 (288)	**Amfac Resorts Inc.** Flagstaff, Ariz. Lodging	46.8* (47.9*)	−2.3	24 (30*)	−20.0	Recently purchased by privately held JMB Realty Co. of Chicago. No expansion plans are under way, but some existing properties will undergo interior renovations.
286 (285)	**Hamburger Hamlet Inc.** Sherman Oaks, Calif. Full service (dinner houses)	46.0 (48.0**)	−4.2	22 (24)	−8.3	Co. purchased last year from founders Marilyn and Harry Lewis. In '89, co. plans 2 new company-owned units: 1 in Chicago, 1 in Calif. PC: Weatherly Private Capital.
287 (306)	**The Evangelical Lutheran Good Samaritan Society** Sioux Falls, S.D. Health care	45.8†* (44.5†)	2.9	201 (195)	3.1	Both nursing homes and retirement centers are operated by this church group. 3 facilities were acquired during the past year, and another 2 developments are under way.
288 (286)	**Red Onion Restaurants** Carson, Calif. Full service (Mexican)	45.0 (48.0)	−6.2	13 (13)	—	Expanding in Calif. with 3 new Red Onion Mexican Restaurants in '89. In '88, decentralized management and marketing to allow for differences in regional food available.

*R&I estimate **company est †commercial equiv (A) no comparison with '88 data possible [illegible] franchise sales est (R) revised

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289 **(398)**	**Vie de France Restaurant Corp.** McLean, Va. Full service (family dining)	45.0** (30.0)	50.0	58 (57)	1.8	Franchise agreements up and running in 38 states. In '88, co. improved profit margins for real sales growth. Joint venture with Calif. Pizza Kitchen slated for '89. Fy end 6/89.
290 **(292)**	**California Dept. of Developmental Services** Sacramento, Calif. Institutions	44.8† (47.0†)	−4.7	11 (11)	—	Operating foodservice for mentally ill and developmentally disabled, this agency is centralizing computer operations and implementing nutritional analyses in '89.
291 **(307)**	**Sands & Co. Inc.** Marietta, Ga. Contract management	44.4†* (44.4†*)	—	825* (825*)	—	Transition year as co. pulled out of less profitable areas, while landing big new accounts. Majority of sales are in vending, but co. also has B&I and health contracts.
292 **(289)**	**Sisters Chicken & Biscuits** Westlake, Ohio Fast food (chicken)	44.0 (47.9)	−8.1	58 (63)	−7.9	In first full year after management buyout of chicken chain from Wendy's, 5 stores closed. Announced Chapter 11 bankruptcy proceedings in early '89.
293 **(370)**	**Health Care & Retirement Corp.** Toledo, Ohio Health care	43.1† (33.6†**)	28.3	130 (127)	2.4	HCR operates 130 nursing homes with 16,000 beds, primarily in Ohio and nearby states. Central staff includes dietary consultant, F&B purchasing manager. PC: Owens-Illinois.
294 **(321)**	**Southern Foodservice Management Inc.** Birmingham, Ala. Contract management	43.0†** (40.0†**)	7.5	71 (80)	−11.2	Co. called '88 "Our most profitable year ever." Primarily a B&I feeder, SFM's '89 plans include 4 new units and added emphasis on merchandising/promotions.
295 **(316)**	**State of Hawaii School Foodservice** Honolulu, Hawaii Schools	42.6†* (42.0†**)	1.4	227 (226)	0.4	Big school program serves 136,000 lunches a day to enrollment of 168,000; breakfasts come to 19,000 per day. Special programs include summer feeding and meals for seniors.
296 **(338)**	**The Old Spaghetti Factory** Portland, Ore. Full service (Italian)	42.6 (37.9)	12.4	28 (26)	7.7	20-year old spaghetti concept saw cautious expansion in '88, plans 2 more in Japan for '89. But no change in limited menu of pasta dishes. AUV is $1.6MM, avg. check $6.
297 **(335)**	**New York State Office of Mental Retardation** Albany, N.Y. Institutions	42.0† (38.1†**)	10.2	17 (19)	−10.5	Successful closing of Development Centers places patients in community settings. This practice drops units but expands community programs, explaining 4MM rise in sales.
298 **(A)**	**Hot Sam Pretzels** Cleveland, Ohio Fast food (sweets)	42.0 (A)	—	300 (A)	—	First "400" for snack maker. Co. opened 35 units in '88, closed 11; 15 more on drawing board in '89. Includes sister concept, Corn Dog on a Stick. AUV is $150K. PC: Midial S.A.
299 **(A)**	**Stouffer Specialty Restaurants** Pepper Pike, Ohio Full service (dinner houses)	42.0* (A)	—	22 (A)	—	Since merger with Borel in '87, co. has been updating most concepts, including 6 "Top" restaurants and 4 Parker's Lighthouses. Also includes Cheese Cellar, James Tavern.
300 **(347)**	**Olga's Kitchen Inc.** Troy, Mich. Full service (family dining)	41.7 (36.0)	15.8	51 (38)	34.2	Co. coming off menu change, working on phase 2 of prototype design; but big drive in '89 is a rededication to employee training. Olga's opened 15 in '88, will open 12 this yr.
301 **(211)**	**McFaddin Ventures** Houston, Texas Diverse restaurants (full service/ dinner houses)	41.1 (74.3*)	−44.7	34 (37)	−8.1	Restructured debt following resignation of chrmn. Lance McFaddin. Co. will go private in '89, seek outside partners for concepts such as Confetti's, Studebaker's, and Ocean Club.
302 **(333)**	**Horizon Hotels Ltd.** Boston, Mass. Lodging	41.1 (38.9)	5.7	32* (21)	52.4	Will open a 200-room hotel in Dunkirk, N.Y., this summer. Co. counts a pair of conference centers, 1 each on the West and East coasts, in its future expansion plans.

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400: RANKING

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303 New Member	**Jerry's Restaurants** Lexington, Ky. Full service (family dining)	40.5 (40.4)	0.2	54 (57)	−5.3	Remodeling and family-style service have improved sales picture for this regional full-service chain; but expansion is not part of that picture. AUV is $752K. PC: Jerrico Inc.
304 New Member	**Two Pesos Mexican Cafes** Houston, Texas Fast food (Mexican)	40.3 (—)	—	30 (—)	—	Unit managers putting in their 2 cents as company focuses on increasing unit-level profitability and enhancing guest experiences. 60% increase in traffic due to unit growth.
305 New Member	**Damon's Inc.** Hilton Head, S.C. Full service (barbecue)	40.1 (—)	—	33 (—)	—	Co. strengthening regional offices, closed 2 underachievers; Now expanding into new markets and enhancing training programs. Opened 7 new locations, plans 9 more.
306 (254)	**Rocky Rococo Corp.** Madison, Wis. Full service (pizza)	40.0 (57.0)	−29.8	80 (121)	−33.9	Regional pizza chain regroups after closing 30 outlets last year in Midwestern cities. Co. blames ambitious expansion plans, says it will build same-store sales in '89.
307 (199)	**Dayton Hudson Department Store Co.** Minneapolis, Minn. Retail	40.0* (78.0**)	−48.7	58 (339)	−82.9	Construction of several new stores with fs. operations planned for '89. 24 stores now have sit-down or takeout restaurants; major remodel will build fs. into rest.
308 (414)	**I Can't Believe It's Yogurt** Dallas, Texas Fast food (sweets)	40.0 (27.5**)	45.5	228 (130)	75.4	Co. showed strong growth in '88 with addition of 103 stores in 7 states, including Hawaii. Expansion expected to continue in '89. New corporate logo coming to stores.
309 (A)	**Diversified Hospitality Group** Milford, Conn. Full service (family dining)	40.0 (25.5)	56.9	160 (A)	—	Co. added 40-unit Toddle House chain to 125-unit Steak n' Egg Kitchens, will run as one concept. '88 saw menu expansion, systemwide refurbishment, training. Fy end 7/88.
310 (A)	**L&N Seafood Grill** Mobile, Ala. Full service (dinner houses)	40.0 (29.0)	37.9	20 (15)	33.3	Will continue to move into large metropolitan areas. Eight new units in '89. Broadening menu with emphasis on value. Customer counts increased 5% in '88. PC: Morrison Inc.
311 (303)	**Phillips Seafood Restaurants** Ocean City, Md. Full service (dinner houses)	39.8 (45.0)	−11.6	7 (7)	—	Bad weather hurt customer counts in '88. Higher food costs resulted in 3%-4% increase of most prices. Hopes to build warehouse for more efficient buying. Fy end 9/89.
312 (362)	**Hillsborough County School Board** Tampa, Fla. Schools	39.6†** (34.7†**)	14.1	146 (143)	2.1	Budget squeeze thanks to collision between union demands and school board nixing of price increases. Ahead: more site supervision, labor formula changes, price increases.
313 (317)	**U.S. Coast Guard** Washington, D.C. Military	39.2† (41.8†**)	−6.2	423 (506)	−16.4	Govt.'s base closings have damaged morale, sapped foodservice program. Despite fewer units, Guard suffers labor shortages; recruiting more entry-level cooks.
314 (248)	**Helmsley Hotels** New York, N.Y. Lodging	39.1* (—)	—	15* (—)	—	Much-ballyhooed tax-evasion litigation involving Harry and Leona Helmsley continues with a summer trial date. The couple entered plea of "not guilty" to charges.
315 (314)	**Arctic Circle Inc.** Salt Lake City, Utah Fast food (hamburgers)	39.0 (42.0)	−7.1	100 (105)	−4.8	Top execs. led by Pres. Gary Roberts bought chain from Quaker State 7/88. Remodeling program in process. AUV is $400K; stores net 10%-12% of sales. 5 units set for '89.
316 (351)	**Bobby Rubino's Place for Ribs** Fort Lauderdale, Fla. Full service (barbecue)	39.0 (35.0)	11.4	20 (19)	5.3	Barbecue dinner houses are 50% company-owned. Planning 2 units in Fox Chapel, Pa., and Patchogue, N.Y. Alcoholic beverages are 18%-20% of sales. '89 stresses advertising.

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317 (A)	**Carlos Murphy's** San Diego, Calif. Full service (dinner houses)	39.0 (A)	—	19 (A)	—	Repositioned in '88 to streamline concept. Revamped broad menu in favor of focus on tortillas and other Mexican items, barbecue and burgers. PC: Paragon Restaurant Group.
318 (340)	**Bresler's Ice Cream & Yogurt Shops** Des Plaines, Ill. Fast food (sweets)	38.0** (37.5)	1.3	340 (300)	13.3	Co.'s execs. decided to go independent from Oberweis Dairy Inc. on 3/1/89, now Bresler's Industries Inc. Offered gourmet frozen yogurt in '88, added 40 stores.
319 (373)	**Jerry's Systems Inc.** Gaithersburg, Md. Fast food (sandwiches)	38.0** (33.0**)	15.2	68 (62)	9.7	Sub and pizza purveyor revised its menu strategy, eliminated low-volume items. Introduced pizza by the slice and plans a create-your-own coupon campaign. Fy end 3/31/89.
320 (399)	**Penguin's Frozen Yogurt** Thousand Oaks, Calif. Fast food (sweets)	38.0 (30.0)	26.7	125 (142)	−12.0	Former parent co. The Hardin Group sold Penguin's stores to French firm. First expansion into East Coast markets planned for '89. 25 new units projected. PC: Bongrain S.A.
321 (343)	**Ruth's Chris Steak House Inc.** New Orleans, La. Full service (steakhouses)	38.0 (37.0)	2.7	23 (19)	21.1	Entering Hawaii, N.J., Vegas, N. Miami Beach markets, which have demographics to support $35 check avg. Saw customer count rise of 12%. Light lunch includes mixed grill.
322 (348)	**Pietro's Corp.** Linnwood, Wash. Full service (pizza)	38.0 (36.0**)	5.6	80 (65)	23.1	Regional pizza maker bought from Campbell's Co. early '88 made its own purchase: 15 units from Pizza Haven. Half already converted; other half to come in '89. AUV is $550K.
323 New Member	**Au Bon Pain** Boston, Mass. Full service (family dining)	38.0** (—)	—	50 (—)	—	Chain grown from 3 French bakery-cafes in Boston in 1978 breaks into "400." Innovative partnerships with mgrs. do well, but labor scarce in co.'s Northeastern market.
324 New Member	**Ark Restaurants Corp.** New York, N.Y. Full service (dinner houses)	37.9 (—)	—	17 (—)	—	Ark runs a variety of upscale, primarily American cuisine concepts nationwide, featuring affiliations with major chefs and unique locations like Washington, D.C.'s Union Station.
325 (368)	**North Carolina State Dept. of Corrections** Raleigh, N.C. Institutions	37.8†** (33.9†**)	11.5	89 (87)	2.3	2 new prisons were added in '88, and modified lowfat, low-sodium diets were introduced. Agency gets bulk purchasing discounts of 2%-3% avg. Fy end 6/30/89.
326 (330)	**Sonesta International Hotels Corp.** Boston, Mass. Lodging	37.6 (39.0)	−3.6	28 (26B)	7.7	Targeting Caribbean for future chain growth. New property in Aruba opens in fall or winter of '89. Co. is also looking at possible development of property in Curacao.
327 (313)	**Lackmann Food Service** Woodbury, N.Y. Contract management	37.3 (42.8†)	−12.9	45 (40)	12.5	No major news to report in '88 for this foodservice mgmt. co., but '89 will see aggressive sales aided by ad budget of $120K, a 100% increase over '88 budget. Fy end 6/89.
328 (328)	**U.S. Marine Corps Morale & Recreation Support** Quantico, Va. Military	37.1†* (39.0†)	−4.9	156 (163)	−4.3	Cuts in appropriations resulted in centralization of exchange, recreation, clubs, etc., under one umbrella. Consolidation of accounting, MIS, etc. continues in '89.
329 (354)	**Casa Olé Restaurants & Cantinas** Houston, Texas Full service (dinner houses)	37.0 (35.0)	5.7	35 (34)	2.9	A year of no openings and no closings; just strengthening management at the store level where it counts. Co. will begin aggressive franchising, plans 3 locations in '89.
330 (A)	**Unicare Health Facilities Inc.** Milwaukee, Wis. Health care	36.4† (A)	—	143 (A)	—	Working to turn nursing-home kitchens into profit centers; 20K extra meals a week from Meals on Wheels contracts. One home's food mgr. produces sandwiches for vending firm.

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400: RANKING

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331 (346)	**Taco Tico Inc.** Wichita, Kan. Fast food (Mexican)	36.0 (36.0)	—	115 (113)	1.8	Bought from Dan and Robin Foley by George Baker (formerly of KFC, Mr. Gatti's). Moving HQ from Wichita to Dallas. Will keep 2:1 ratio of company-owned to franchised units.
332 (A)	**Perko's Coffee Kup** Fresno, Calif. Full service (family dining)	36.0 (A)	—	44 (A)	—	With sister concept Happy Steak, co. acquired late '88 in LBO by two former executives and founder's son. New stress on franchising in '89; 4 units company-owned. PC: Brooks Cos.
333 (A)	**Texas Dept. of Mental Health & Mental Retardation** Austin, Texas Institutions	35.6† (28.3†**)	25.8	27 (27)	—	Challenging year for dept., particularly in menu mgmt. Factors affecting decisions include new ACDD standards, decentralized purchasing and drought. Fy end 8/31/88.
334 (345)	**Leiserv Inc.** Skokie, Ill. Fast food (sandwiches)	35.1 (36.6)	−4.1	115 (130)	−11.5	Fast-food vendor added Subsational sandwich concept to 7 units in '88, will keep on adding. AUV is $305MM; alcohol is $20MM of that. PC: Harcourt Brace Jovanovich.
335 (379)	**Arthur Treacher's Inc.** Youngstown, Ohio Fast food (seafood)	35.0** (32.0)	9.4	94 (106)	−11.3	Increased marketing support and product line extensions led to 6%-10% jump in customer counts in '88. Returning to strong multiunit franchising, entering food courts.
336 (369)	**Dallas Independent School District** Dallas, Texas Schools	35.0†** (33.6†**)	4.2	184 (184)	—	Nutrition awareness programs include change of dept. name to Food & Child Nutrition. In '89, automation of programs will be the headliner. 63.8% meals free; 29.8% full price.
337 (337)	**Elmer's Pancake & Steak House Inc.** Portland, Ore. Full service (family dining)	35.0** (38.0)	−7.9	29 (31)	−6.5	Big news: co.'s ongoing buy-back, refurbishing of franchises. Big pitch: for breakfast business. Big heart: more charity-driven promos. AUV: $3MM. Fy end 4/88.
338 (375)	**Happy Chef Restaurants** Mankato, Minn. Full service (hamburgers)	35.0 (32.5)	7.7	56 (52)	7.7	Co. building unit management with new hiring, training programs. 1 to 3 units scheduled to open this year. Aim is for "flexible" menu. Fy end 5/30.
339 (A)	**Grand American Fare Inc.** Santa Monica, Calif. Diverse restaurants (full service/dinner houses)	35.0 (26.0)	34.6	35 (31)	12.9	This Southern Calif.-based chain of theme restaurants, omelet parlors and saloons saw customer counts up 2%. 2 more units, systems revisions, more advertising planned for '89.
340 (357)	**The Original Seafood Shanty Inc.** Bensalem, Pa. Full service (dinner houses)	35.0 (35.0)	—	13 (14)	−7.1	Considering attractive takeout-only units in shopping center strip locations. Redirecting marketing away from television and toward public service. Fy end 10/1/89.
341 (312)	**Pennsylvania Dept. of Corrections** Camp Hill, Pa. Institutions	35.0† (42.8†)	−18.2	14 (14)	—	More satellite feeding in the offing for this penal operator. Agency received $3.5MM in government-donated commodities, saw $100K in garden projects. Fy end 6/30/89.
342 New Member	**Nathan's Famous Inc.** New York, N.Y. Fast food (sandwiches)	35.0 (—)	—	38 (—)	—	Investor group bought majority interest in 73-year-old hot dog chain 3/89. New CEO Robert Sherman headed Prudential-Bache's retail securities division. Fy end 3/89.
343 New Member	**Fair Lanes Inc.** Baltimore, Md. Retail	34.9 (—)	—	110 (—)	—	Snack bars and bowling alley units did $26MM; 9 family-style English Restaurants took in remainder. 2 new stores under construction in Baltimore, Atlanta; 3 planned.
344 (342)	**Valentino's** Lincoln, Neb. Full service (pizza)	34.0 (37.0)	−8.1	40 (36)	11.1	Takeout 45% of business now, but big hopes for daily dine-in italian buffet of pasta and 6 different sauces. Co. saw 8 new stores in '88, hopes to open 12-15 in '89. Avg. check $5.

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400: RANKING

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345 (355)	**Shari's Family Restaurants** Portland, Ore. Full service (family dining)	34.0** (35.0**)	−2.9	38 (37)	2.7	Pres. Larry Hatfield led LBO of co. from StratAmerica Inc. 4/89. Chain continues steady growth: 4 new units added in '88, 5 planned for '89. AUV is $1MM. Fy end 3/89.
346 (275)	**Palm Restaurants** New York, N.Y. Diverse restaurants (full service/dinner houses)	34.0 (51.2)	−33.6	11 (11)	—	Co. plans a Palm in Philadelphia this year—first new unit since '86. Plans to open units in Canada, Western Europe and the Orient over next 5 to 10 years. PC: Palm Mgmt. Co.
347 (A)	**Dalts** Dallas, Texas Full service (dinner houses)	33.9 (29.0)	16.9	15 (15)	—	In last quarter '88, co. reported 5.7% improvement in same-store sales. New menu and new labor-efficient kitchen are hopes for keeping concept viable. PC: Carlson Cos.
348 (365)	**Spire's Restaurants** Orange, Calif. Full service (dinner houses)	33.8* (34.0)	−0.6	21 (26)	−19.2	Aspiring to strengthen operations, focus on service, dinner-house chain with units in Northern Orange County (1 in Escondido) cuts slow stores, puts San Diego expansion on hold.
349 (325)	**Noble Roman's Inc.** Bloomington, Ind. Full service (pizza)	33.7* (39.3)	−14.2	89 (100)	−11.0	Co. expects to open at least 10 units in '89, mostly in Midwest. Looking for menu additions like last year's packaged salads. Recent promo: party-size pizzas.
350 (388)	**Texas Dept. of Corrections** Huntsville, Texas Institutions	33.7† (30.8†)	9.4	50 (38)	31.6	Explosive growth for this system—12 units added since '87, with 19 more on the way. Trying to use govt. commodities, local farm products where possible. Fy end 8/31/88.
351 New Member	**Detroit Public Schools** Detroit, Mich. Schools	33.6†** (27.2†**)	23.5	270 (272)	−0.7	New fs director, new menus stress fresh fruits and juices, low salt and sugar, such popular items as pizza, tacos, deli sandwiches, chicken nuggets, hamburgers and chili.
352 (302)	**Jack's Food Systems Inc.** Birmingham, Ala. Fast food (hamburgers)	32.5 (45.0)	−27.8	65 (90)	−27.8	Co. reports the Southeast is saturated market for burgers. Shrunk the system by about 25 units: Half closed, half sold to other chains. Opening 4-5 units in '89—carefully.
353 (380)	**Corporate Food Services Inc.** New York, N.Y. Contract management	32.5* (32.0)	1.6	44* (44)	—	Flat sales last yr. for laconic B&I specialist. Co. offers both cafeteria-style and vending service, with catering both on and off premises; Co. offers home-delivery menu, too!
354 (363)	**Atlas Hotels Inc.** San Diego, Calif. Lodging	32.5** (34.2*)	−5.0	22* (22)	—	As San Diego's hotel market booms, co. is adding an 800-room tower and a 100K-sq.-ft. exhibition hall to its Town & Country Hotel. Other area properties also will be expanded.
355 (381)	**Sandwich Chef Inc.** Birmingham, Ala. Fast food (sandwiches)	32.5 (32.0)	1.6	172 (179)	−3.9	Sandwich vendor increases sales and returns to profitability in '88 after closing under-performing units. Will build up R.C. Cooper concept in '89. Fy end 7/88.
356 (384)	**CVI Service Group Inc.** Plainfield, N.J. Contract management	32.4† (31.2†)	3.8	54 (52)	3.8	Co. opened new regional office in Atlanta to help build Southern market. Also expanding into Fla., Texas, and Va. Southern territory does $6MM in sales now. Fy end 8/88.
357 (A)	**Rusty Scupper** Pepper Pike, Ohio Full service (dinner houses)	32.4* (33.3*)	−2.7	18 (19)	−5.3	Parent acquired the seafood chain in '87 and just completed refurbishment of all units. New central training center at HQ in Solon, Ohio. PC: Stouffer Restaurant Group.
358 (356)	**Skyline Chili Inc.** Cincinnati, Ohio Full service (family dining)	32.0 (35.0**)	−8.6	83 (70)	18.6	Flying high with Cincinnati-style chili: Skyline, founded in '49, opened 13 new units in '88, plans 10 more in '89. Entered Washington, D.C., market with 2 stores. Fy end 10/88.

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400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
359 New Member	**King's Family Restaurants** McKeesport, Pa Full service (family dining)	32.0 (—)	—	21 (—)	—	Restructuring has company buying out minority shareholders. With customer counts up 6%, and hamburgers and fish the top sellers, KFR anticipates opening 3 units in '89.
360 New Member	**O'Charley's Inc.** Nashville, Tenn Full service (dinner houses)	32.0 (—)	—	20 (—)	—	Louisville, Ky., Memphis, Tenn., and St. Louis, Mo., being looked at as future sites for casual chain. $2MM AUV, streamlined menu and new pricing will co. grow.
361 New Member	**The Hilltop Steakhouse** Saugus, Mass Full service (steakhouses)	31.5 (—)	—	2 (—)	—	Nation's largest independent opened first satellite in Saugus, Mass. Two more planned with 600-700 seats. All new restaurants will sell custom meat from butcher shop.
362 (366)	**LaRosa's Inc.** Cincinnati, Ohio Full service (pizza)	31.2* (34.0)	−8.2	43 (45)	−4.4	Chain's home market is Ohio-Ky. area; 6 company-owned stores. Apparent slide in sales and units despite last yr.'s effort to revamp menu and focus on biggest seller—pizza.
363 (376)	**U.S. Naval Medical Command** Washington, D.C. Military	31.0† (32.5†)	−4.6	31 (31)	—	Recently implemented a-la-carte feeding in hospital dining facilities. Planning to increase number of facilities receiving foodservice automated information system.
364 (391)	**Knott's Berry Farm** Buena Park, Calif Recreation	31.0* (30.1*)	3.0	55* (55)	—	Memorial Day '89, park unveiled new $3MM expansion with 3 major attractions. '88's $10MM Wild Water Wilderness helped boost attendance, currently at about 5MM annually.
365 New Member	**Le Peep Restaurants Inc.** Denver, Colo. Full service (family dining)	31.0** (21.4**)	44.9	70 (22)	218.2	Les execs. New CEO Mitchell Rhoads (from Burger King) and V.P. James Edlund (from Pizza Hut) plan 5 new '89 units for 17-state chain (30 company-owned, 40 franchised).
366 New Member	**Fairfax County Public Schools, Foodservice Div.** Springfield, Va. Schools	30.2†** (25.2†**)	19.8	228 (197)	15.7	Year ahead to see more high-school breakfasts, manager bonus system. Changes include more centralization to reduce costs, higher menu prices, packaged salads vs. salad bars.
367 (A)	**S&S Cafeterias** Macon, Ga. Cafeterias	30.0 (A)	—	19 (A)	—	Co.'s 19 cafeterias located in Southeast. Biggest aim in '89 is expansion of the takeout concept. New cafeteria opened in Columbia, S.C., in '88. PC: Smith and Sons Foods Inc.
368 New Member	**In-N-Out Burgers** Baldwin Park, Calif Fast food (hamburgers)	30.0* (—)	—	50 (—)	—	Sources say volumes top $1.5MM in certain West Coast sites. Co. says nothing except that it opened six units last year and will open 6 this year. All stores company-owned.
369 (324)	**Straw Hat Pizza** Dublin, Calif Fast food (pizza)	30.0 (39.8*)	−24.6	82 (80)	2.5	Co-op will add 6 members in '89. Signed new purchasing agreement, testing Italian buffets in Calif., Cajun chicken and shrimp pizzas elsewhere. PC: Straw Hat Cooperative Corp.
370 New Member	**T.K. Tripps Inc.** Greensboro, N.C. Full service (dinner houses)	30.0* (—)	—	21 (—)	—	Another booming Southeastern midscale concept. Co. will try for 20% growth via middle-management training, new menu items and addition of 5 more units in '89.
371 (392)	**The C&C Organization** Rancho Cucamonga, Calif. Full service (dinner houses)	29.4 (30.0)	−2.0	24 (24)	—	In '89, will rebuild 1 Cask and Cleaver and remodel 1, build 1 El Gato Gordo and remodel 1. Focused on reducing general and administrative costs in '88. Fy end 9/89.
372 (387)	**Michigan State University** East Lansing, Mich. Schools	29.4†** (30.8†**)	−4.5	35 (43)	−18.6	Big Kellogg conference-ctr./guest-house renovation scheduled for '89. Foodservice promotion will stress nutrition, build business from school's academic and administrative staffs.

*R&I estimate. **company est. †commercial equiv. (A) no comparison with '88 data possible. (B) adjusted method in reporting figures. (C) franchisee sales est. (R) revised.

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
373 (364)	**Spencecliff Corp.** Honolulu, Hawaii Lodging	29.0** (34.0**)	−14.7	14 (24)	−41.7	Co. continues to trim operations but holds high-volume units, including seafood, Mexican concepts and coffee shops. Reports AUV is $1.8MM. PC: Nittaku Investment Inc.
374 (395)	**Brigham's Inc.** Arlington, Mass. Full service (family dining)	29.0 (30.0)	−3.3	66 (72)	−8.3	Ice cream vendor is 75 years old this year. Will continue remodeling drive begun in '86. In '88, closed 10 marginal units, tested specialty sandwiches. Fy end 4/30/89.
375 New Member	**Happy Joe's Pizza & Ice Cream Parlor Inc.** Bettendorf, Iowa Fast food (pizza)	28.6 (30.0**)	−4.7	82 (85)	−3.5	Last year's No. 400 moves up. Streamlined distribution, relocated 2 units in '88, will open 7 in '89. Customer counts up 3% last year. AUV is $363K, avg. check $4.50.
376 New Member	**Numero Uno Pizza Pasta & More** Panorama City, Calif. Full service (Italian)	28.5* (—)	—	58 (—)	—	Full-service Italian dinner house growing slowly: Opened 6 in '88 but shut 4. Big promo was "Bite for Two" meal deal. Will aim for systemwide delivery network in coming year.
377 New Member	**U.S. Air Force Medical Service** Andrews AFB, Md. Military	28.0†** (26.6†)	5.3	61 (82)	−25.6	Changes within operations vary for each of the 61 locations, but all emphasize low-calorie and "healthy-heart" choices. 52% of meals go to patients, 48% to cafeterias.
378 New Member	**PePe's Inc.** Chicago, Ill. Fast food (Mexican)	28.0 (26.0)	7.7	65 (64)	1.6	A holding action at this regional chain: 2 stores opened in '88, 2 closed. Biggest promotion centers on Cinco de Mayo; co. is testing soups. AUV is $425K.
379 New Member	**Church St. Station** Orlando, Fla. Diverse restaurants (full service family dining)	28.0 (14.3)	95.8	5 (—)	—	Theme-dining chain runs two attractions in Orlando, one of country's most popular tourist destinations: Church St. and Rosie O'Grady's. Opened 90K-sq.-ft. retail space in '88.
380 New Member	**Mountain Mike's Pizza Inc.** Santa Clara, Calif. Fast food (pizza)	28.0 (—)	—	65 (—)	—	Another fast-growing pizza chain, opened 12 units in '88 and will open another 12 in '89, all thru franchising. Continuing corporate focus on advertising, done in-house.
381 New Member	**Royal Fork Buffet Restaurants** Boise, Idaho Full service (family dining)	28.0 (—)	—	16 (—)	—	Chain has 10 company-owned, 6 franchised units in the U.S. and Canada. AUV is a solid $1.7MM; co. opened 3 new units in '88 and plans 5 this year. No major changes in menu.
382 New Member	**Blake's Lotaburger Inc.** Albuquerque, N.M. Fast food (hamburgers)	28.0 (—)	—	73 (—)	—	Southwest-based and all company-owned, burger chain opened 3 units in '88 and will open 5 more in '89. Also will add breakfast in '89. All advertising via outdoor billboards.
383 New Member	**Flik International Corp.** Mamaroneck, N.Y. Contract management	28.0 (—)	—	65 (—)	—	This contract feeder opened 10 units in '88 and now sports 57 of 65 units in the B&I sector. '89 improvements aimed at fine-dining portion of that market.
384 New Member	**Broward County School Board, Foodservice Div.** Fort Lauderdale, Fla.	28.0†** (—)	—	160 (—)	—	Has established districtwide marketing plan, introduced choices in elementary schools. In year ahead, will lower fat, salt and sugar content in menu selections.
385 New Member	**The New York Restaurant Group** New York, N.Y. Diverse restaurants (full service/dinner houses)	27.5 (—)	—	4 (—)	—	Co. president Alan Stillman plans a restaurant a year for the next 10 years. In '89, La Cite opens in Manhattan. Next year, possibly a new Smith & Wollensky's.
386 New Member	**Ralph & Kacoo's** Baton Rouge, La. Full service (dinner houses)	27.2 (21.9)	24.2	6 (5R)	20.0	Popular 6-unit chain bought for $33MM in '86; popular owners Ralph and Kacoo Olinde retained as consultants. '89 focus is on management training. PC: Piccadilly Cafeterias.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible. (B) adjusted method in reporting figures. (C) franchisee sales est. (R) revised.

400: RANKING

Rank '89 ('88)	Organization Headquarters Segment	'88 sales/ ('87 sales) in $ millions	% change sales	'88 units/ ('86 units)	% change units	Comments
387 **New Member**	**Tavern on the Green** New York, N.Y. Full service (dinner house)	27.2 (—)	—	1 (—)	—	Underwent a major $2MM rennovation in '88, including new lounge and bar, extensive landscaping and expansion of the restaurant's retail store operations.
388 **(A)**	**The Happy Steak Inc.** Fresno, Calif. Full service (steakhouses)	27.0 (A)	—	35 (A)	—	Renewed commitment to franchising program. Menu, testing and promos concentrating on country-style food and low-calorie dishes. Plan small decor changes. PC: Brooks Cos.
389 **New Member**	**Hooters Restaurants** Atlanta, Ga. Full service (dinner houses)	27.0 (—)	—	15 (—)	—	Limited-menu concept serves chicken wings and other grazing foods. Co. will expand in Southeast, possibly West. 9 more units in '89. PC: Neighborhood Restaurants of America.
390 **New Member**	**The Newport Creamery Inc.** Middletown, R.I. Full service (family dining)	27.0 (—)	—	39 (—)	—	This New England-based ice cream parlor/burger chain is eyeing new menus and systemwide computerization to pace moderate growth patterns. Will open 2-4 more units in '89.
391 **New Member**	**Schwartz Bros. Restaurants** Bellevue, Wash. Diverse restaurants (full service/family dining)	27.0 (—)	—	19 (—)	—	Seattle-based chain of upscale dinner houses expanded in local area in '88 while introducing "cutting edge" Italian and crab house concepts. 4 more units planned for '89.
392 **(A)**	**J.B. Winberie's** Pepper Pike, Ohio Full service (dinner houses)	27.0 (19.2*)	40.6	30 (24)	25.0	4 new stores opened in '88—in N.J., Chicago and Atlanta—and another planned this year. Division includes Parker's Seafood Grille. PC: Stouffer Restaurant Co.
393 **New Member**	**Carter Hawley Hale Stores** Los Angeles, Calif. Retail (department stores)	26.0 (24.0)	8.3	68 (68)	—	Business healthy after break with Neiman-Marcus. Sales stronger than '87, particularly in Calif., due to better unit mgmt.; Mgrs. now recruited from chain restaurant vets.
394 **New Member**	**Sub Station II** Sumter, S.C. Fast food (sandwiches)	26.0 (22.0)	18.2	130 (128)	1.6	Sub sandwich chain is a newcomer to the "400." Plans heavy expansion on West Coast. Restructured management in '88. Co. reports AUV of 206K with food cost at 38%. Fy end 8/88.
395 **New Member**	**Burgerville USA** Vancouver, Wash. Fast food (hamburgers)	25.9** (—)	—	29 (—)	—	Biggest recent news for this power in the Wash.-Ore. market is its large-scale remodeling program featuring a cleaner '90s look (blue, white, neon). Fy end 5/31.
396 **New Member**	**Jerry's Caterers Inc.** West Palm Beach, Fla. Contract management	25.8 (—)	—	18 (—)	—	Florida-based inflight catering firm opened a pair of units and closed 1 unit during '88. All 18 units are company owned with no plans for further expansion at press time.
397 **New Member**	**Weathervane Seafood Restaurants** Kittery, Me. Fast food (seafood)	25.6 (—)	—	14 (—)	—	'88 had the right mix for 20-year-old New England chain: moderate growth, strong regional economy, a booming product (seafood) and aggressive marketing. Future looks solid.
398 **New Member**	**Tennessee Dept. of Corrections** Nashville, Tenn. Institutions	25.3†** (29.4†*)	−13.9	21 (32)	−34.4	2 more correctional facilities are expected to come on-line in '89, adding approximately 1,200 more beds to the system. Making up 21 units are 20 prisons and 1 school. Fy end 6/30/89.
399 **New Member**	**4B'S Restaurants Inc.** Missoula, Mont. Diverse restaurants (full service/dinner houses)	25.2 (29.0)	−13.1	30 (30)	—	4B's is for being in 4 Northwest states with 4B's coffee shops and steakhouses, 1 supper club, 1 cafeteria. '89 strategies: cut weak unit, launch TV ads, remodel, redo menu.
400 **(A)**	**Cinnabon's World Famous Cinnamon Rolls** Seattle, Wash. Fast food (sweets)	25.0 (35.0*)	−28.6	100 (65)	53.8	Bun baker opened 20 units in '88. Co. plans for 35 franchises and 15-20 company-owned stores in '89, but sees no menu changes. PC: Restaurants Unlimited.

*R&I estimate **company est. †commercial equiv. (A) no comparison with '88 data possible (B) adjusted method in reporting figures (C) franchisee sales est. (R) revised

400: GROWTH LEADERS

Everything Yogurt's CEO Richard Nicotra has plenty to smile about: Sales increased 100% in 1988. A broader menu keeps the AUV high.

MARKET PENETRATION BRINGS BIG SALES GAINS

Everything Yogurt finds differentiation is the key to piquing the interest of customers and potential franchisees.

YOGURT
GOOD HEALTH IS EVERYTHING

RESTAURANTS & INSTITUTIONS

In an ever-tightening frozen-yogurt market, Everything Yogurt Inc., Staten Island, N.Y., achieved a 100% increase in sales in a one-year period. Richard Nicotra, CEO of the chain, cites a variety of reasons for the company's jump from $20 million in sales in '87 to $40 million in '88, but marketing the concept as more than just a frozen-yogurt shop is the reason held most accountable.

"We have a wider menu selection than the average frozen-yogurt chain," says Nicotra, "so we're appealing to customers looking for an entire, healthy meal, not just a yogurt snack." The chain sells made-from-scratch deli salads and sandwiches, including chicken and tuna ($3.75), fresh produce salads, pasta salads ($1.50 to $3.00) and quiche ($3.50), in addition to 18 flavors of low-fat yogurt and four nonfat flavors. Prices for yogurt sundaes range from $1.69 for a small to $2.75 for a large, and there is no extra charge for toppings. Check averages are $2.25 in mall units, $3.75 in downtown business-district locations, where the lunch-hour trade is heavy. Prices have not been raised in three years.

Offering a broader menu has kept the 13-year-old chain (the oldest frozen-yogurt concept in the United States, according to Nicotra) afloat through some difficult market fluctuations. When Nicotra started Everything Yogurt with partner and president Stephen Beninati in 1976, "the demand for frozen yogurt was unbelievably strong." But in 1980, demand declined, forcing smaller yogurt-only concepts to the wayside.

"The market is picking up the momentum it once had," says Nicotra. "But there is going to be another shakeout in the next two years." He adds that the market cannot support a frozen-yogurt concept on every street corner and that, unless a chain can distinguish itself from the competition, it will have a tough time surviving.

Weathering the early 1980s market drop can be attributed in part to the development of the chain's tandem concept, Everything Yogurt Bananas, developed in 1983. When a fruit-juice kiosk went out of business across from one of the yogurt chain's mall units, Nicotra and Beninati took it over. They renamed the kiosk Bananas and began selling fresh blended fruit shakes and fruit juices. Sales took off.

Today, Bananas shares mall space with Everything Yogurt, and although the two present completely different storefronts to the mall, they share one staff, one manager, one back room and one set of overhead and equipment costs. Sales are kept separate, however, and Bananas increases total unit sales by an average of 30%.

Proof of successful marketing can be seen in the chain's average unit volume. From 1984 to 1988, the chain's average unit volume has increased from $300,000 to $380,000, and the projection for 1989 is $400,000. For the past few years, tandem units in malls (90% of total units) have been the No. 1 or No. 2 dollar producers per square foot.

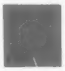
The healthy average unit volume has made the chain an attractive target to franchisees. Of the company's 225 units, more than 90% are franchised. Everything Yogurt does not sell area franchise agreements—Nicotra explains that the company does not want to force a good franchisee to open another shop against his will and, by the same token, does not wish to be forced into letting an unprepared franchisee open additional units.

The one-franchisee, one-unit-at-a-time policy has worked well for Everything Yogurt. "In 13 years, we've never been taken to court by a franchisee," says Nicotra. "I don't know how many chains can make that claim."

Although the majority of the units are located in malls, three strip-center location contracts have been signed for 1989. "We've shied away from strip centers in the past," says Nicotra. "You don't get the exclusivity you'd have in a mall or office building— anyone can open up across the street." However, Nicotra explains that strip centers are being built at a faster rate than new malls and that the strip centers Everything Yogurt has chosen have a major draw, like a large movie complex or major department store.

Forty new units are slated for 1989, and Nicotra and Beninati are negotiating international contracts in England, France, Italy and the Orient for 1990.

—***Beth Gotschall***



EVERYTHING YOGURT INC.

Headquarters: Staten Island, N.Y.

Established: 1976

Projected '89 Sales: $50MM

Projected '89 Units: 310

Franchise Fees:

$30,000
Everything Yogurt/Bananas
Tandem

$25,000: Everything Yogurt

$15,000: Bananas

Total Initial Franchise Investment: $200,000

AUV: $400,000

400: GROWTH LEADERS

TOP-20 GROWTH COMPANIES: BY PERCENTAGE OF SALES GAIN

Who wouldn't like to catch this Subway? The sandwich-shop chain more than doubled its sales in the past year. This phenomenal growth comes on top of a 94% sales jump the year prior. Two other companies were repeat growth leaders: TCBY and Chili's. Several newcomers to the "400" also posted impressive sales gains, including Everything Yogurt (100%), I Can't Believe It's Yogurt (45%), Le Peep Restaurants (45%).

Company	% sales growth	% unit growth	Segment
Subway	120.6%	59.1%	Franchisor
Everything Yogurt	94.7	92.9	Franchisor
Village Inn Pancake Houses	90.9	28.6	Lodging
Doubletree Hotels	87.5	5.8	Franchisor
Stuckey's Corp.	73.3	42.9	Franchisor
TCBY	64.3	−17.8	Lodging
The Registry Hotel Corp.	50.0	1.8	Diverse restaurants
Vie de France Bakery & Cafe	48.0	24.0	Contract management
Trusthouse Forte Food Services	45.7	13.9	Franchisor
T.J. Cinnamon's Bakeries	45.4	21.6	Franchisor
Tastee Freez	39.7	7.4	Franchisor
Carl's Jr.	38.3	25.3	Franchisor
Chili's Inc.	37.9	33.3	Full service
L&N Seafood Grill	36.9	66.7	Full service
Old Country Buffets	35.1	4.8	Contract management
Valley Food Service Corp.	33.6	7.5	Lodging
Omni Hotels Corp.	33.3	25.0	Full service
Ruby Tuesday	32.9	98.7	Govt institutions
California Dept. of Corrections	32.7	16.7	Full service
Hard Rock Cafe America	31.8	13.8	Full service

TOP 15 GROWTH COMPANIES: BY ABSOLUTE DOLLAR GAIN

McDonald's continues to leave the other burger chains in the dust when it comes to sales increases: McDonald's sales increase was more than four times the increase posted by Burger King and more than 10 times the increases of Carl's Jr. and Jack In The Box. Strong international growth as well as a jump in same-store sales account for much of McDonald's increase.

Company	$ sales gain from 1987-1988	Segment
McDonald's	$1,769.6	Franchisor
Kentucky Fried Chicken	999.9	Franchisor
Burger King	400.0	Franchisor
Subway	328.0	Franchisor
Red Lobster	323.0	Full service
Domino's Pizza	320.0	Franchisor
The Sheraton Corp.	208.8	Lodging
Little Caesars Pizza	183.0	Franchisor
Arby's	180.0	Franchisor
International Dairy Queen	167.0	Franchisor
Shoney's Restaurants	145.5	Franchisor
Carl's Jr.	136.4	Franchisor
Village Inn Pancake Houses	113.3	Franchisor
Sizzler Restaurants	101.4	Franchisor
Jack In The Box	99.9	Franchisor

Companies whose sales were estimated by *R&I* or who changed their method of reporting are not included.

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Subway doubles sales to $600MM in '88; McDonald's posts a $1.7 billion gain.

The growth of *R&I*'s "400" was not quite as robust as in years past, but several companies still managed to post impressive gains in both sales and units. Fifteen companies reported sales increases of $100 million or more, and two companies doubled sales.

Subway, the sandwich-shop chain, leads the growth parade with a 120.6% jump in sales (from $272 million in 1987 to $600 million in 1988) and a 59.1% jump in units (from 1,815 to 2,888). The chain is signing franchise agreements at a furious pace and is opening almost three stores a day. The average unit volume per store also has increased, from $200,000 to $232,000.

New unit openings account for much of the growth of several other "400" members. TCBY, the leader in the frozen-yogurt segment, added 353 new stores, an increase of about 43%, boosting annual sales nearly 74%. Old Country Buffets opened 17 new restaurants in 1988, for a total of 60, and saw sales increase 37%. And Trusthouse Forte Food Services continued to pick up new management accounts.

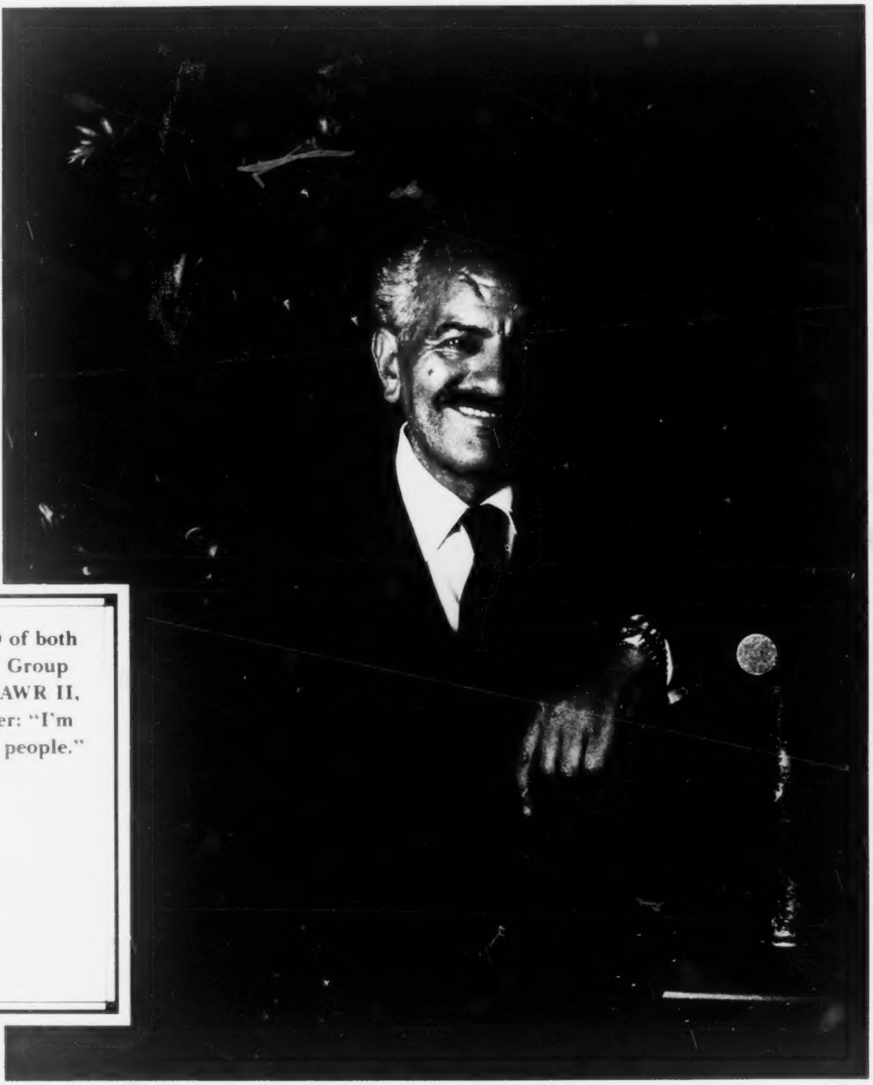
Two of the oldest chains in the industry, McDonald's and Kentucky Fried Chicken, also posted the largest absolute dollar gains. McDonald's sales grew by nearly $1.8 billion, and KFC's growth was just shy of $1 billion. Other old-timers such as Burger King, Dairy Queen and Arby's were also among the growth leaders.

Franchising apparently is one ticket to growth. Of the top 20 growth companies by percentage of sales gain, eight are franchisors. Among the growth leaders ranked by absolute dollar gain, only one (Red Lobster) does not franchise.

The sweets segment might be the other key to growth: TCBY, T.J. Cinnamon's and Tastee Freez all play up to America's sweet tooth, and sales are responding favorably.

—Maureen Pratscher

400: FAMILY TREES



Anwar Soliman, CEO of both American Restaurant Group and Del Taco parent AWR II, is a hands-off manager: "I'm good at picking good people."

RESTAURANT COMPANIES STRENGTHEN FAMILY TIES

While other parents pare back to a few strong concepts, the American Restaurant Group finds strength in diversity.

RESTAURANTS & INSTITUTIONS

Anwar Soliman can see his company's newest restaurant, Tutto Mare, from the window of his sixth-floor office in Newport Beach, Calif. That's one reason it *is* his company's restaurant.

"I watched all the people going into the restaurant before we bought it," he says. "And one day I thought, why shouldn't those people be giving that money to us?"

The purchase was not as capricious as that sounds: Tutto Mare is located in a very upscale shopping mall with a steady stream of affluent traffic. But it does suggest the opportunism and action orientation that characterize Soliman's foodservice companies, the American Restaurant Group and AWR II.

ARG's holdings are bewilderingly diverse. There's Lewisville, Texas-based Grandy's, named the consumers' favorite chicken vendor in the 1989 *R&I* Choice in Chains. The revenues of Stuart Anderson's Black Angus, Los Altos, Calif., are second only to those of Steak & Ale in the full-service steakhouse segment. Velvet Turtle (21 units) and Spoons (11 units) target California's white-tablecloth and casual markets, respectively. And San Francisco-based Spectrum Restaurants—15 single-unit concepts including Tutto Mare, Guaymas, Chianti, Prego, MacArthur Park, and Harry's Bar and Grill—cover the culinary waterfront.

Soliman acquired most of his holdings after Marriott Corp. bought Saga in the mid-'80s. Marriott kept Saga's contracting division but went looking for a buyer for its 330 commercial restaurants. Soliman had just left the vice-presidency of W.R. Grace's restaurant division following an unsuccessful LBO, and he was ready to buy.

Some critics have charged that these concepts are a grab-bag with no overriding philosophy. "People have a tendency to want to categorize everything," Soliman says. "We don't compete only in fast food or family dining. We compete for every dollar spent in restaurants. We want to get the customer on the way up and on the way down."

Of course, at any given moment, some of these names are hotter than others. Soliman is big on Spoons at the moment, figuring its "full-service-but-fast-food" position makes it a natural for young families. The chain just purchased seven former Herschel's restaurants from Collins Foods CEO Jim Collins. But Velvet Turtle, which brings fine dining to the suburbs, will stay at 21 units for the foreseeable future.

How does one person hold the reins to so many different concepts? The answer is: loosely. "I couldn't ask the president of Spectrum Foods to run Grandy's for me—it's too different a mentality," Soliman says. "We do the same thing I did at Grace: We have separate operating management for each of our five divisions. The only things they have in common are strategy, capital expenditure, expansion plans, purchasing and accounting. With that kind of decentralized management, you can have 50 different concepts and they can all be successful. The problem comes when you say, I'm going to make all the decisions."

The same management levels operate in ARG's sister company AWR II, which owns 202 Del Taco units and bought 171 Naugles from Collins Foods in early '88. Soliman knows Mexican chains from his Grace days, when he acquired El Torito and mapped out a complex exchange that gave away Del Taco for Coco's and jojo's coffee shops. When Collins bought Naugles, he recalls, "I knew the only thing that made sense was to get these two (Naugles and Del Taco) in one chain. You couldn't have them competing while Taco Bell took all the gravy."

Now they will be one chain: After a year of menu testing and decor redesign, AWR II is converting its first 15 California Naugles to Del Tacos and has begun talking franchising again. The company aims to mount a major challenge to Taco Bell—regional at first, but eventually national. Soliman says the war will be fought with value perceptions and with menu items the Mexican giant will be unable to copy quickly.

The next step for the new Mexican chain might come overseas. "We might have a Del Taco open over there this year," Soliman says. "Possibly in Japan, Korea or Hong Kong." That's just slightly beyond the view from the boss's sixth-floor window.

—Brian Quinton

AMERICAN RESTAURANT GROUP

Headquarters: Newport Beach, Calif.

Corporate Officers: Anwar Soliman, chairman and CEO; Ralph Roberts, president.

Sister Companies: Soliman also heads AWR II, a separate company, which added 171 Naugles to its 202 Del Tacos in early '88.

Expansion Plans: ARG will grow Grandy's, Stuart Anderson's and Spoons, casual concepts suited for family dining market. AWR II ready with prototype design and menu of new Del Taco; now converting 15 California Naugles.

FAMILY TREES

Pillsbury, General Mills, Collins Foods and Ramada sloughed off concepts to streamline their holdings.

With its across-the-spectrum approach to ownership, ARG is bucking a trend: Many other chains have broken with their weak links to focus energy on a few good concepts.

What follows has become a tradition in the *R&I* "400": a family snapshot of parents and children, showing who's whose at press time. Parents are listed in order of their sales, expressed in millions. One asterisk (*) denotes *R&I* estimate; two (**) denote company estimate. —*B.Q.*

PEPSICO FOODSERVICE DIV.
Sales: $10,020
Units: 17,353
Kentucky Fried Chicken
Pizza Hut
Taco Bell

PILLSBURY RESTAURANT GROUP
Sales: $6,152.1**
Units: 6,489
Burger King
Häagen-Dazs
(S&A Restaurants, owner of Steak & Ale and Bennigan's, recently sold to management.)

MARRIOTT CORP.
Sales: $5,353.5*
Units: 3,745*
Marriott Contract Svcs.
Marriott Lodging Div.
Roy Rogers
Host International
Marriott Family Restaurants
Marriott Travel Plazas

TW SERVICES INC.
Sales: $3,390.8
Units: 3,985
Canteen Corp.
Quincy's Family Steakhouses
Denny's
El Pollo Loco
(Also Spartan Foods, a Hardee's franchisee.)

IMASCO USA
Sales: $2,784*
Units: 3,141
Hardee's
Grisanti's
Casa Lupita
Burger Chef

INTERNATIONAL DAIRY QUEEN INC.
Sales: $2,239.5
Units: 6,107
Dairy Queen
KarmelKorn
Orange Julius
Golden Skillet

SHONEY'S INC.
Sales: $1,916.7
Units: 2,391
Shoney's Family Restaurants
Lee's Famous Recipe
Captain D's
(Also Shoney's Inns division.)

GENERAL MILLS RESTAURANTS INC.
Sales: $1,600
Units: 573
Red Lobster
Olive Garden

FOODMAKER INC.
Sales: $1,177.9
Units: 1,153
Jack In The Box
Chi-Chi's

COLLINS FOODS INTERNATIONAL
Sales: $1,057.4*
Units: 913*
Sizzler
Taco Den
(Also KFC franchisee. With Lettuce Entertain You and Big 4 Restaurants, sold Ed Debevic's 6-unit joint venture to Dennis Riese; considering sale of 2 Gino's East pizza units.)

HOLIDAY CORP.
Sales: $1,033.7*
Units: 1,841
Holiday Inns
Harrah's Casino Hotels
Embassy Suites

MORRISON INC.
Sales: $1,031
Units: 1,156
Morrison Custom Mgmt.
Morrison Cafeterias
Ruby Tuesday
L&N Seafood Grill
Silver Spoon Cafes

RESTAURANT ENTERPRISES GROUP
Sales: $1,005
Units: 670
El Torito
Charlie Brown's
(Also diverse restaurant concepts.)

CARLSON COS.
Sales: $849.6
Units: 750
Country Kitchens Intl.
TGI Friday's
Dalts
Radisson Hotel Group
Colony Hotels & Resorts

JERRICO INC.
Sales: $811.2*
Units: 1,538
Long John Silver Seafood Shops
Jerry's Restaurants
Florenz Italian Restaurants

GREYHOUND CORP.
Sales: $787.2*
Units: 627
Restaura
Faber Enterprises
Cassano's Pizza & Subs
Dobbs Houses Inc.
Dobbs International

METROMEDIA INC.
Sales: $749*
Units: 718
Ponderosa Inc.

USACAFES L.P.
Sales: $571
Units: 612
Bonanza
Ribby's Express Barbecue

A. COPELAND ENTERPRISES
Sales: $505
Units: 722
Popeyes Famous Fried Chicken
Copeland's of New Orleans

AMERICAN RESTAURANT GROUP
Sales: $500*
Units: 337
Grandy's
Stuart Anderson
Black Angus
Velvet Turtle
Spoons
(Also owns Spectrum Restaurants, diverse concept chain. AWR II, also headed by Anwar Soliman, owns Del Taco and Naugles.)

400: FAMILY TREES

Trend to watch: Large franchisees such as RTM become franchisors by buying unrelated concepts.

MANOR CARE INC.
Sales: $432
Units: 954
Quality Inns
Manor Health Care

VICORP RESTAURANTS INC.
Sales: $422.4*
Units: 424
Bakers Square
Village Inn Family Restaurants

DELAWARE NORTH COS.
Sales: $383.4
Units: 317
Sportservice
Concession Air
(Also owns Dairy Farm Stores and Letheby & Christopher foodservice management.)

PANTERA'S CORP.
Sales: $325**
Units: 666
Pantera's Pizza
Pizza Inn

DĀKA Inc.
Sales: $300
Units: 454
dāka Food Service
Fuddruckers

SHOWBIZ PIZZA TIME INC.
Sales: $284.6
Units: 314
ShowBiz Pizza Time
Chuck E. Cheese
Monterey House
Monterey Tex-Mex Cafe

PARAGON RESTAURANT GROUP
Sales: $274
Units: 125
Rusty Pelican
Carlos Murphy
(Also diverse one- or two-unit concepts.)

TRUSTHOUSE FORTE PLC.
Sales: $263.1*
Units: 509
Trusthouse Forte Food Services
Forte Hotels International
Travelodge
(Also owns five units in the Exclusive Hotel line.)

THE HORN & HARDART CO.
Sales: $238
Units: 185
International King's Table
Bojangles'
Automat/Dine-O-Mat
(Also Burger King, Arby's and Tony Roma franchisee.)

INTERNATIONAL MULTIFOODS INC.
Sales: $226
Units: 780
Mister Donut

RESTAURANT ASSOCIATES CORP.
Sales: $198
Units: 97
Acapulco Restaurants
Charley Brown's
R A Restaurant Group

UNIGATE RESTAURANTS INC.
Sales: $165
Units: 180
Taco Bueno
Casa Bonita
Crystal's
Prufrock Restaurants (Dixie House, Black-eyed Pea)

DeNOVO CORP.
Sales: $164.1
Units: 617
Tastee Freez
Dog 'n' Suds
Dairy Isle

MRS. FIELDS INC.
Sales: $160
Units: 650
Mrs. Fields Cookies
Jessica's Cookies
La Petite Boulangerie

STOUFFER RESTAURANT GROUP
Sales: $133.8
Units: 70
Rusty Scupper
J.B. Winberie's
Parker's Lighthouse
Top Restaurants
Also diverse one-unit concepts.

GALARDI GROUP
Sales: $130
Units: 331
Wienerschnitzel
The Original Hamburger Stands

STEVE'S ICE CREAM INC.
Sales: $111**
Units: 463
Steve's Ice Cream
Swensen's
Heidi's Frogen Yozurt

CONSOLIDATED PRODUCTS INC.
Sales: $101.5
Units: 125
Steak'n Shake
Consolidated Specialty Restaurants

MIDIAL S.A.
Sales: $92
Units: 548
Original Cookie Co.
Hot Sam Pretzels
Corn Dog On A Stick

RESTAURANTS UNLIMITED INC.
Sales: $85
Units: 120
Cinnabon
Restaurants Unlimited specialty restaurants

W.R. GRACE & CO.
Sales: $80.3
Units: 147
Taco Villa

FAMOUS RESTAURANTS INC.
Sales: $75
Units: 48
Garcia's Mexican Restaurants
Famous Pacific Fish

BOMBAY PALACE RESTAURANTS
Sales: $65*
Units: 74
Beefsteak Charlie's
Bombay Palace

THE BROOKS COS.
Sales: $63
Units: 79
Happy Steak
Brook Hill
Brook's Ranch
Perko's Coffee Kup

TRUCKSTOPS OF AMERICA
Sales: $50
Units: 37
Country Pride Restaurants

BONGRAIN S.A.
Sales: $38
Units: 125
Penguin's Frozen Yogurt

BRUNSWICK CORP.
Sales: $35.1
Units: 115
Leiserv Inc.

400: OWNERSHIP

Foodmaker CEO Jack Goodall: merging Jack In The Box and Chi-Chi's was "the most natural thing in the world."

DIVESTITURES DOMINATE YEAR'S FINANCIAL NEWS

But in a year of breakups, buyouts and spinoffs, Foodmaker manages to keep it all together—and all to itself.

RESTAURANTS & INSTITUTIONS

Anyone in foodservice could be forgiven for confusing this year's financial news with front-line dispatches from some war zone: a hostile attack here, a poison-pill defense there, a court-ordered cease-fire somewhere else. But when the dust from these boardroom battles has cleared, the year's happiest warrior might turn out to be its quietest. San Diego, Calif.-based Foodmaker, owner of the 961-unit Jack In The Box chain since 1960, began the year with a very friendly buyout of Chi-Chi's Mexican restaurants, and ended with a stock buyback that took the company private at terms most shareholders thought generous.

All in all, that was a lot of acquisition for a company run by self-styled fiscal conservatives. "We're the most cautious group I know," says Chairman and President Jack Goodall. "We don't believe in debt for the sake of debt. I've never even had a mortgage on my house."

In fact, it was the *second* time in four years that Foodmaker management bought the company. The first time, in 1985, the corporation won its independence from Ralston Purina, the food-processing giant that had owned Foodmaker since 1968. That '85 buyout led to the company's first stock offering a year later, in February 1987, to raise capital to repay the debt incurred by the purchase of Ralston's remaining 20% interest. "That sped up our going public," Goodall says. "Frankly, we wouldn't have done it quite so soon without the opportunity to buy out Ralston."

Foodmaker's track record on the public market was quite good: Profits and earnings per share rose 50% in 1987, and the stock was trading at a multiple of mid-teens to low 20s. But management quickly grew uneasy about the market's valuation of the company.

The stock market always has had trouble putting a proper value on foodservice stocks, says Charles Duddles, Foodmaker's senior vice president and chief financial officer. For one thing, stockholders and analysts focus on earnings per share at the expense of cash flow. "Earnings are great, but in restaurants, cash flow is the name of the game," he says. "Besides, Wall Street has never been able to look at an industry that may be out of favor—such as restaurants, spot the one or two companies that are doing well, and give them the credit they should have."

These shortcomings coincided with the '87 crash to depress Foodmaker's market price. "Our stock was languishing," Goodall says. "It was a very attractive buy—for us, or for someone else."

So management seized yet another opportunity and announced a stock buyout last August. The final price of that transaction was more than $800 million: A tender offer of $170 million, plus an exchange for $300 million in existing debt and $350 million in new financing. Duddles and Goodall say the company can grow out of its highly leveraged position and that Foodmaker's future is now more secure, despite the new debt incurred in the privatization. "Now we've put a base on the company's value," Goodall says. "And we can operate as we've always done in the past—out of concern for cash flow rather than for earnings per share, and without making any short-term strategic moves to accommodate the financial community."

A large contributor to Foodmaker's success has been its February 1988 acquisition of Chi-Chi's, the Louisville, Ky., chain of Mexican dinner houses. That buy surprised many industry watchers at the time: Chi-Chi's was still turning around after drastic over-expansion in the early '80s. But a careful look at the 200-unit chain convinced Goodall the match-up made sense. "We decided the upside potential was good, with a tremendous amount of unused capacity," he says. "And the possible down side was real but manageable. (Chi-Chi's CEO) Hal Smith was identifying problems and very systematically solving them. We knew they were making tremendous strides and we didn't want to interfere. And we haven't: All Chi-Chi's success is due to its management team."

Goodall discounts the apparent differences between running a fast-food chain such as Jack In The Box and a string of full-service restaurants such as Chi-Chi's. "Both concepts are very regional," he says. "That means we can get our hands around our operations the way we like to. And both are specialty chains within their seg-

FOODMAKER INC.

Headquarters: San Diego, Calif.

Annual Sales (1988): $1,177.9 million

Holdings: Jack In The Box, 961 units, $755 million annual sales; Chi-Chi's Inc., 192 units, $422.9 million annual sales

Corporate Officers: Jack Goodall, chairman, president & CEO; Charles Duddles, executive vice president, finance; Robert Nugent, president, Jack In The Box; Hal Smith, president, Chi-Chi's.

400: OWNERSHIP

Strategists hoped for Foodmaker's good fortunes; many got a version of Pillsbury's problems instead.

ments: Jack In The Box is not your typical fast-food place, and Chi-Chi's is *the* Mexican restaurant, period, in its markets." Nor are the companies all that different operationally, since Chi-Chi's Mexican menu depends more on extensive prep work than on complex cooking to order.

Will Foodmaker consider another foodservice acquisition? Yes, says Goodall, if the company can do so without risking the success of the Chi-Chi's matchup. "We'd never risk what we have now," he says.

Other companies will be *more* than pleased a year from now if the corporate moves they made in 1988 pay off as well as Foodmaker's. The difference is that for many of them, it was a break-up, rather than a make-up, year.

Grand Metropolitan Plc.'s purchase of Pillsbury can stand as a symbol of the merger activity in the last 12 months. A foodservice giant of the '70s was bought by a foreign corporation looking for entry to the American market. Now the giant's new owners are spinning off the divisions they do not want—S&A Restaurants and some retail food brands—to focus on the brand names and concepts with the greatest payback potential—including Burger King.

Elements of that scenario show up in many of the year's foodservice stories, particularly among large food-processing companies that felt themselves at takeover risk. Early last year, General Mills opted to sell its Leeann Chin chain of oriental takeout restaurants back to founder Chin. Six months later, the conglomerate decided the time was right to get out of the troubled steakhouse market by selling off its string of 100 York's units and using the capital earned to help expand its stronger brands: Red Lobster and the well-received Olive Garden Italian restaurants. Hershey Foods followed the same tack, bolstering earnings by transferring Friendly's 850 family-style restaurants to a Perkins franchisee and the guidance of industry veteran Donald Smith. Following closely on the divestiture of its Pietro's pizza parlors, Campbell's Soup left foodservice entirely by selling off 16 Annabelle's restaurants. And Sara Lee ended a 23-year relationship with the sale of its 65-unit Lyon's family-dining chain.

This was the year the LBO path from executive to owner became an eight-lane highway for American management, and foodservice was no exception. Here too, Pillsbury set the pace, spawning no fewer than three major LBOs.

Executives of other chains took advantage of low stock valuations and available financing to take equity positions in their own companies. Western Sizzlin', the 600-unit steakhouse chain, was sold in an LBO that put Pizza Hut founder Frank Carney and PepsiCo alumnus Michael Stack at the helm. And Bresler's President David Lasky led that chain in a separation from Oberweis Dairies.

Nor was Pillsbury alone in attracting overseas attention: Foreign capital made itself felt among the "400" in a big way this year, thanks to the depressed dollar and recession-proof real estate. Tight competition in the lodging industry put American hotel chains at the top of the 1988 takeover roster: Westin went to Aoki; World International Holdings (Hong Kong) bought Omni Hotels; and capital from the sale of Inter-Continental to Seibu Saison helped Grand Met take Pillsbury. In one of the year's most dramatic moves, Ramada not only spun off Marie Callender's Pie Shops but sold its entire 825-unit hotel system.

Finally, a handful of spectacular takeovers, such as Pillsbury, made news because of one party's struggle to stay independent. Ramada's radical sell-off was partly a response to last fall's hostile bid from the Pritzker family, who hold a controlling interest in Hyatt Hotels. Church's Chicken withstood a four-month siege by A. Copeland Enterprises, owner of the Popeyes chicken chain, before finally showing the white feather.

—***B.Q.***

10 BIG DEALS

1. Grand Metropolitan Plc. acquires Pillsbury Co. ($5.75 billion)

2. UAL (formerly Allegis Corp.) sells Westin Hotels and Resorts to Aoki Corp. of Japan and developer Robert Bass. ($1.5 billion)

3. Ramada sells its hotel properties to Prime Motor Inns and a Hong Kong development group. ($450 million)

4. Pillsbury sells off S&A Restaurant Group, parent of Steak & Ale and Bennigan's, to company management. ($431 million)

5. Popeyes Famous Fried Chicken acquires Church's Chicken in a hostile takeover. ($392 million)

6. Hershey Foods sells Friendly Ice Cream Corp. to Tennessee Restaurant Co., a Perkins franchisee. ($375 million)

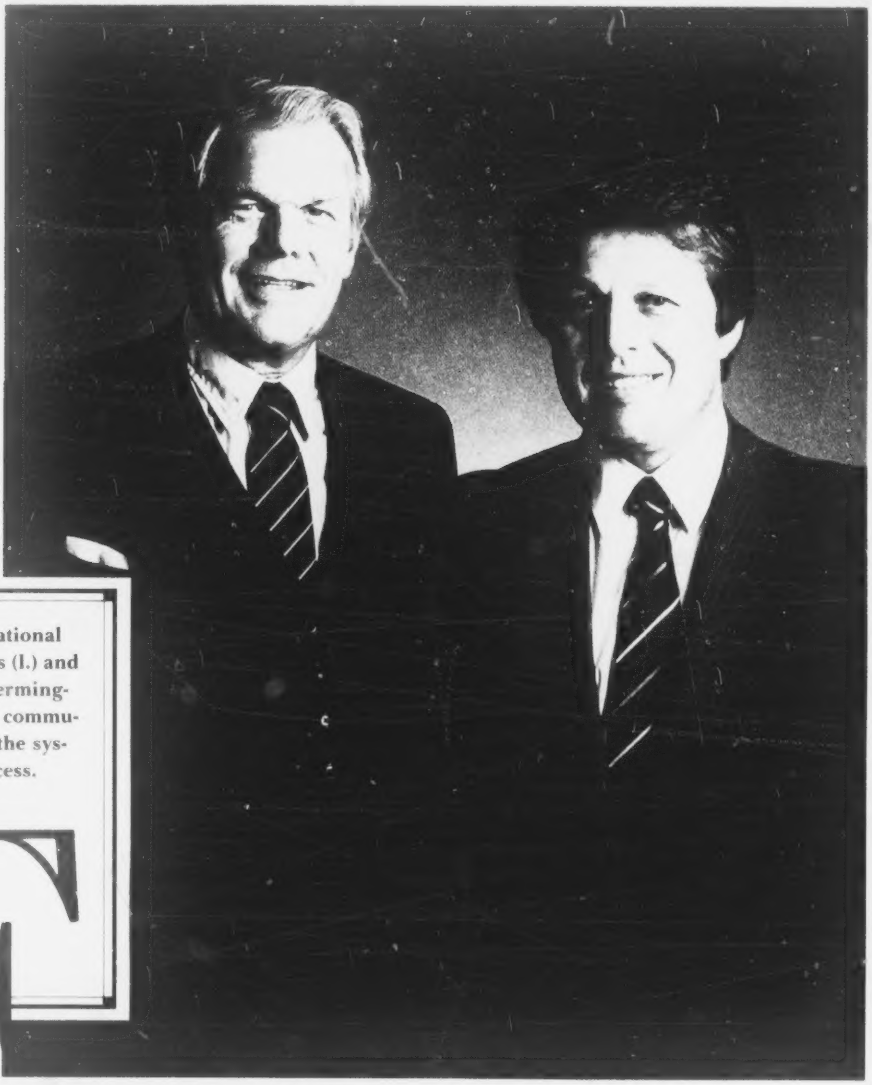
7. Chi-Chi's goes to Foodmaker Inc., owner of Jack in the Box. ($244 million)

8. Greyhound buys Dobbs International, operator of Dobbs House airport restaurants and in-flight catering services. (undisclosed sum)

9. Ramada spins off Marie Callender Pie Shops to investment group. (undisclosed sum)

10. Restaurant Enterprises Corp. sells 102-unit Gilbert/Robinson division, including Houlihan's and Darryl's, to group headed by Irving and Murray Riese. ($200-250 million)

400: FRANCHISEES



Collins Foods International Chairman Jim Collins (l.) and President Richard Bermingham believe constant communication throughout the system is the key to success.

FRANCHISEES ASK TO BE TREATED LIKE PARTNERS

Some disenchanted franchisees want more freedom to grow and more involvement in the decision-making process.

All is not quiet on the franchising front, as news of strained relations between franchisors and franchisees becomes more common. National Pizza, Pizza Hut's largest franchisee, is feuding with the parent company over its right to acquire the Skipper's seafood chain. Until the buyout by Grand Met, Burger King franchisees were very upset about the lack of consistent and effective marketing support from Pillsbury. Wendy's rapid growth in the early '80s led to what many franchisees considered neglect of existing units.

But for Jim Collins, who has a seat on both sides of the aisle as Kentucky Fried Chicken franchisee and Sizzler franchisor, the key to maintaining a successful franchise marriage is simple: "If the franchisor spends more time making sure the franchisee is successful, the entire system benefits. . . . Any time a franchisor gets greedy, eventually the business will fail."

That philosophy has served the chairman of Collins Foods International well in his nearly 30 years of franchising. Collins currently operates 270 KFC units and franchises more than 600 Sizzler casual-dining restaurants. His initial experience as a franchisee prepared him for his role as a franchisor.

"When we sit down and talk about what we might do to one of our Sizzler franchisees, I turn around and consider how I would feel as the franchisee," says Collins. "Once you put on the other hat, the answer falls out so quickly you wouldn't believe it."

Collins also believes a franchisor should operate at least 25% to 35% of the units to provide franchisees with leadership and an example to emulate. Concepts that are almost entirely franchised can grow weak over time because the franchisor has no natural outlet for demonstrating solutions to operational problems.

As a franchisee, Collins operates at a higher level of sophistication because of its massive size. The company takes pains to share some of its information for the good of the whole system. For example, when KFC tested oven-roasted chicken last year, Collins was able to track sales records and share detailed results with the franchisor.

On the down side, the size and economic power of a company such as Collins may tempt the franchisor to compromise consistency, uniformity and quality control. "Franchisors are less likely to take large franchisees to task unless they are doing a real lousy job," says Collins. "It is incumbent upon the franchisor to protect the value of the system for other franchisees paying royalties."

Despite Collins' clout in the Kentucky Fried Chicken system, the West Coast franchisee is losing market share to the burgeoning El Pollo Loco fast-food chicken chain because the parent has moved more slowly than expected on the development of a non-fried chicken product (it will not be on the market until the first quarter of 1990).

Perhaps the most controversial story in franchising has been National Pizza Company's efforts to acquire Skipper's, a regional seafood chain based in Bellevue, Wash. A tender offer was finally withdrawn in April after Skipper's created a third obstacle (a poison pill) to completion of the deal. Skipper's officers also urged stockholders to hold out for a price better than $9.25 per share.

What made the deal most interesting was the pressure created by National Pizza's parent company, Pizza Hut. The PepsiCo concept said it would withdraw its licensing agreement with National Pizza if it acquired Skipper's. Pizza Hut says its contract with National prohibits engagement in businesses outside the system. National Pizza contends Pizza Hut is curbing the franchisees' growth potential because the franchisor retains the right to first choice on all viable franchise units that come up for sale. (In May, National Pizza's Vice President J.J. Fitzsimmons said the company was still interested in the Skipper's chain and plans to negotiate with both parties to reach a mutually agreeable solution.)

Whether franchise relations between companies like Pizza Hut and National Pizza will change to give franchisees more freedom is doubtful, according to Fitzsimmons.

"Franchisors view the relationship as parent and child, where the parent knows what is best," says Fitzsimmons. "The child should follow the parent's lead and speak only when spoken to. But more sophisticated

COLLINS FOOD INTERNATIONAL INC.

Headquarters: Los Angeles

Corporate officers: James A. Collins, chairman; Richard Bermingham, president and chief executive officer.

Annual sales: $184.3MM (Kentucky Fried Chicken franchises); $850MM (Sizzler division).

Expansion plans: Plans are on the drawing board to open 20 company-owned Sizzlers and franchise 40 more. Fifteen Sizzlers are expected to open in Australia. Collins also plans to open six to 10 domestic KFC operations and three in Australia.

400: FRANCHISEES

Mutually acceptable marketing plans boost same-store sales.

LEADING FRANCHISEES

For the first time, the "400" lists the industry's largest franchisees separately. The top 36 account for 5,639 units and more than $4.6 billion in sales.

Rank	Organization name	Current sales (in $ millions)	Current units
1	Collins Foods International	$1,057.4*	913*
2	Spartan Food Systems	427.0	432
3	The Riese Organization	331.6*	310*
4	Boddie-Noell Enterprises Inc.	295.0	289
5	TPI Restaurants Inc.	224.0	248
6	Frisch's Restaurants Inc.	190.0*	201
7	Harman Management Co.	165.0**	235
8	National Pizza Co.	141.0	321
9	The Continental Cos.	140.0	55
10	Carrols Corp.	133.5	152
11	RPM Pizza Inc.	120.1	257
12	RTM Inc.	117.0**	208
13	AIRCOA Hospitality Services Inc.	105.0	475
14	Pizza Management Inc.	100.6	210
15	Servico Management Corp.	100.0	59
16	Sybra Inc.	81.3	124
17	Consul Restaurant Corp.	80.0**	44
18	U.S. Restaurants Inc.	80.0**	68
19	Elby's Restaurants	77.0*	72*
20	Buehler-Ruckriegel Corp.	66.0	119
21	Marcus Corp.	62.0	93
22	Atlanta Family Restaurants Inc.	59.0	46
23	FMS Management Systems	51.5	86
24	Restaurant Management Service	49.7	51
25	JRN Chicken Stores	45.4	79
26	Perk Development Corp.	42.0	34
27	U.S. Beef Corp.	41.3	80
28	Winegardner & Hammons Inc.	40.4	50
29	Country Kitchens of Wisconsin Inc.	39.5	58
30	Morgan's Foods	32.6	84
31	Allen & O'Hara Inc.	31.5	24
32	AIFAM Enterprises	30.0	76
33	Consumer Food Services Inc.	30.0	30
34	Boykin Management Co.	27.0	11
35	Damon's Managment Inc.	23.0	20
36	Southern Hospitality Inc.	20.0	25

* *R&I* estimate. ** company estimate. ©1989 *Restaurants & Institutions*, a Cahners publication

franchisees object to that approach. They want to be partners."

Eventually, the state of relations could be changed via legislation or litigation. There has been some political movement to establish a fair-dealing standard, and some of the same questions also are beginning to be answered in court.

Another concern among franchisees is the parent's ability to provide creative marketing support, in an age when market saturation has caused operators to concentrate on higher same-store sales as opposed to expansion.

Arby's Inc. is an example of a chain that has allowed franchisees to participate in the decision making. Better communications and shared input has created a productive environment. System sales increased 17% last year and, along with McDonald's, Arby's was the only system to report a substantial increase in transactions in (5.3%) 1988.

A lack of communication and continuity is the very problem that has been plaguing the Burger King franchise system for the past five years. Systemwide profits have dropped 59% in two years and per-store sales are flat.

"Franchisees were sending ideas up the channel to Pillsbury for years and they never listened," says Murry Evans, who operates 44 Burger King units in the South. "They were only interested in quarterly earnings and were unwilling to develop a marketing plan or go out and pay for the best support."

Those days are over, according to Evans, because of the buyout by Grand Met. "They are getting rid of the 'us versus them' attitude. They are throwing out the politics and turning the operation into a team effort."

New Chief Executive Officer Barry Gibbons is keeping franchisees up to date with videotaped talks and has been on the road to meet with operators throughout the system. Evans notes that unrest and distrust among Burger King franchisees across the country is already dying down as a result of the change in leadership.

continued on page 182

400: FRANCHISEES

continued from page 178

Unit growth among prominent franchisees shows signs of sagging in a maturing marketplace.

Perhaps the most noticeable trend in franchising today is the acquisition of major companies consisting partly or wholly of company-owned stores; these are then converted to franchised units. Patrick Boroian, president of Francorp, a consulting firm in Olympia Fields, Ill., points to the acquisition by Popeyes Chicken & Biscuit of Church's Fried Chicken Inc. He says that Chairman Alvin Copeland plans to close "a few hundred units and sell off company-owned units to pay back the debt."

Boroian also cites the Riese Organization, which acquired the Houlihan's chain from Restaurant Enterprises Group Inc. and plans to franchise the concept domestically and around the world. Riese paid $250MM for Houlihan's and five El Torito units.

In order to increase volume per square foot, The Riese Organization also is developing food courts, clusters of fast-food concepts under one roof, sharing common seating. The system creates labor and storage efficiencies.

The company's latest maneuver involved signing an exclusive franchise agreement with Kentucky Fried Chicken to open express units in Riese's food courts.

The owners of more than 600 units in 25 different franchise systems hope to operate 1,000 restaurants within the next five years.

Riese New York also had a busy year in the New York franchise arena, signing an agreement to develop Chili's restaurants in New York. Riese New York also acquired franchise rights to Chi-Chi's and recently acquired exclusive development rights for New York's Miss Gimble restaurants.

In developments concerning other prominent franchisees:

Boddie-Noell, franchisee of 289 Hardee's units, plans to cut back expansion to about 10 units this year because of higher interest rates and market saturation in the Southeast.

Wendy's Food Systems of Akron has closed or sold its more than 80 units to pay off creditors under Chapter 11 bankruptcy proceedings. The Akron system, which is one of Wendy's largest franchisees, ran up heavy debt while trying to expand in Cleveland and opening 23 units in Buffalo, N.Y.

Chi-Chi's franchisee Consul Restaurant Corp. of Bloomington, Minn., plans to expand the El Pronto concept beyond food courts, with free-standing drive-thru units in Milwaukee. Consul's increased marketing effort has led to a 6% increase in comparable store sales. Consul also has formed a contract-management division to develop business and industry accounts in the Midwest. Consul Foodservice Management is targeting white-collar businesses that put a premium on foodservice.

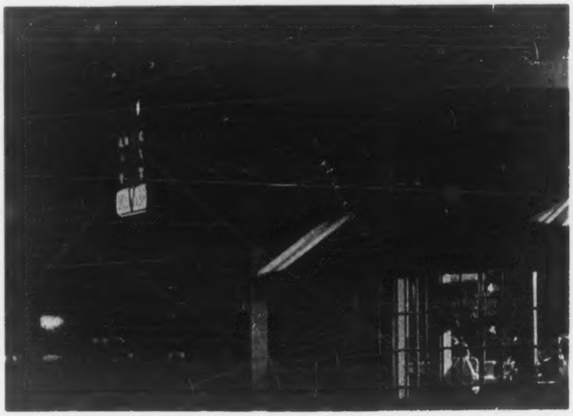
Hardee's largest franchisee, Spartan Food Systems, Spartanburg, S.C., plans to open 38 units in 1989, with an emphasis on the Midwest (Ohio area).

KFC franchisee JRN Chicken of Columbia, Tenn., has installed fax machines in each unit to transmit daily sales reports, summary tapes from the cash registers, copies of validated bank deposit slips and biweekly payroll reports to the corporate office.

Unit growth is lagging for many chain operators, with a few exceptions: RPM Pizza Inc. of Gulfport, Miss., franchisee of 257 Domino's units, plans to open 33 new units in 1989. Arby's franchisee RTM Inc. of Tucker, Ga., will approach the 250-unit mark by adding 40 units this year. National Pizza Company of Pittsburg, Kan., will open 39 new Pizza Huts.

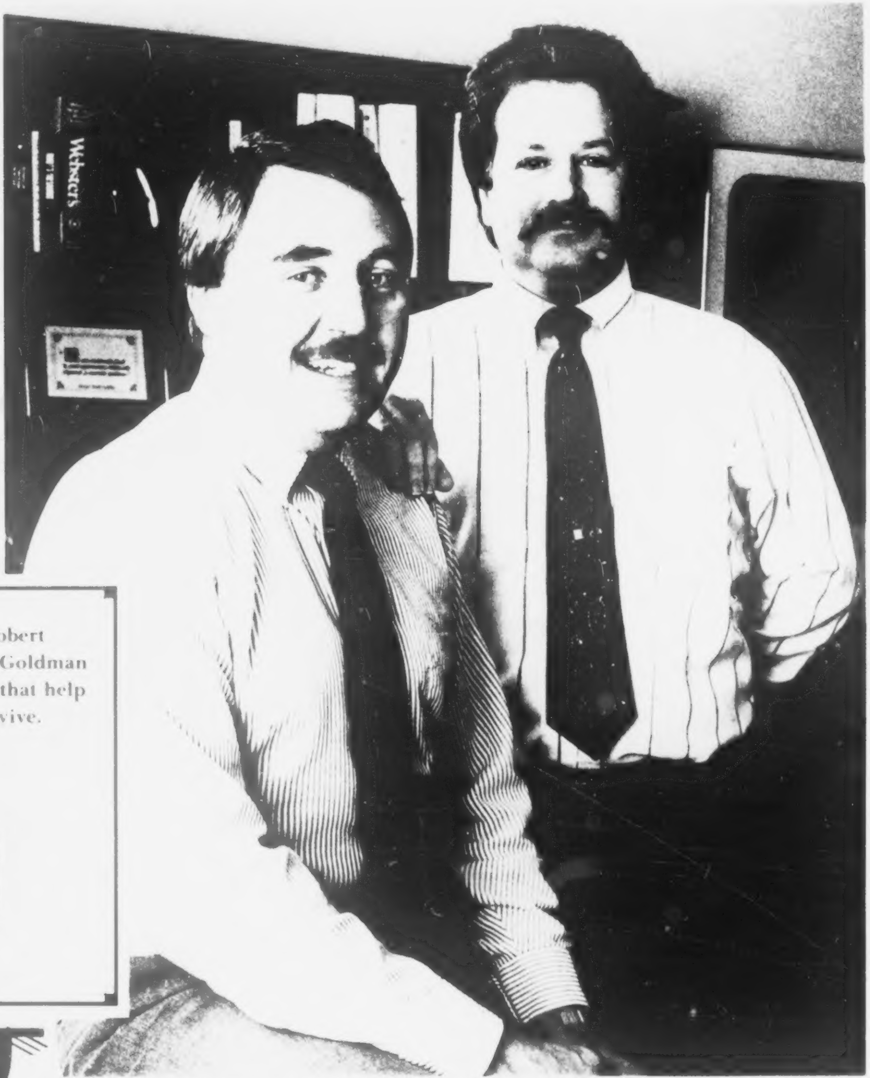
Briefly: Shoney's South was acquired in September '88 by a subsidiary of TPI Enterprises. Subsequent to acquisition and merger, TPI Restaurants now acts as the franchisees of 232 Shoney's and Captain D's units. . . . Carrols Corp. plans to buy four Burger King units and open 11 new operations. . . . Perkins Family Restaurants franchisee Perk Development Corp. of Rochester, N.Y., will grow through the acquisition of five units. . . . Morgan's Foods of Cleveland divested itself of 12 Sizzler units. . . . Restaurant Management Inc., Cincinnati, has added 13 Arby's to its system by acquiring Beef People Inc. and plans to double its presence in the Southeast by 1993. . . . Magic Pan, San Francisco, has become a franchisee of Soup Exchange Soup & Salad Bar restaurants and during the next two and a half years, plans to open 55 units east of the Mississippi and in Canada. . . . Elby's Restaurants, Wheeling, W. Va., an original Big Boy franchisee, returned to the system in 1988.

—*Jeff Weinstein*



Riese New York has signed an agreement to develop Chili's restaurants in the Big Apple and also acquired franchise rights for the Chi-Chi's chain.

400: PURCHASING



Unicare executives Robert Beyer (l.), and Wayne Goldman negotiate food prices that help smaller operators survive.

GROUPS ENGINEER FOOD AND EQUIPMENT SAVINGS

Their buying clout helps hospitals and other operations maintain diverse menus and make capital improvements.

Purchasing groups owe their existence to foodservice organizations, both commercial and institutional. They give single-unit independents the same buying power that has permitted chains to thrive in the margin-conscious climate of today's foodservice industry. They help small operators swim with the sharks and live.

Larger operators can benefit, as well. Some experts estimate, for example, that more than 80% of all hospitals do at least some of their buying through purchasing groups.

Because these groups wholesale food and supplies to members rather than selling it directly to consumers, *R&I* this year has given them their own ranking, separate from the "400." But that is not to take away from the hefty sales volumes this go-between segment controls. The chart overleaf lists 39 buying agencies—commercial, institutional and governmental—large enough to rank alongside the "400." All together, purchasing groups spend more than $625 million annually on food and beverage. That is the equivalent of $1.75 billion in commercial foodservice sales (multiplied by *R&I*'s 2.8 multiple for food purchases).

Unicare Health Facilities Purchasing Service, Madison, Wis., is one of the largest such organizations. A subsidiary of United Health Inc., which also operates 143 Unicare nursing homes, this for-profit firm was responsible for $85 million in food and beverage purchases in 1988, for a commercial sales equivalent of $238 million. (Food operations, including labor costs, represent nearly half of daily costs in a nursing home; thus, savings of 2%, 5% and sometimes 10% through group purchasing are important.)

United Health began serving as a purchasing contractor 11 years ago, when the chain had only 30 nursing homes and four retirement centers. "We saw it as a way to increase our volume, to give ourselves better buying power," says Robert Beyer, Unicare's vice president of purchasing. "As we added clients, more vendors wanted to be part of the program." UHF now negotiates prices with 30 to 35 food companies nationwide; clients pay this price plus a fixed mark-up to the approved distributor.

In 24 major cities as distant as Boston and Seattle, UHF buys its food exclusively from distribution giant Sysco Corp. In other territories, the company deals with two distributors. UHF can even offer its clients reduced prices on kitchen equipment and other capital improvements.

Only $12 million of that total represents expenditures for Unicare's own facilities. "We provide purchasing assistance for over 2,000 affiliated nursing homes, 1,200 of them on a day-in, day-out basis," explains Wayne Goldman, who is both corporate director of food operations for Unicare and director of food procurement for UHF.

Almost all of Unicare's clients are nursing homes such as Health Care & Retirement Corp., an Owens-Illinois subsidiary. But the company also services a few hospitals, and has experimented with extending its services to small-volume commercial independents. UHF's success in the commercial sphere was limited, however. "We tried Ma and Pa restaurants a few years ago," Beyer says. "But we found that distributors really don't like to cut a deal for those people, because that's where they make their profit. And there were payment problems." For the near future, health-care and life-care operations will remain the foundation of UHF's business.

Currently, the primary concern expressed by Beyer and Goldman is the impact of the drought on food prices. "It has forced sweeping changes in menus. Products like corn or green beans are just not available—or not in our price range," Beyer explains. Goldman adds that within Unicare's own operations, food costs are already up 8% since budget-setting time last October.

Like other institutional food executives, Goldman is emphasizing "plus business" in his own Unicare operations: maximizing return from a kitchen without hiking expenses by looking for new markets beyond the obvious needs of the facility.

"You've already got a kitchen running," he says. "By adding a part-time worker, you can start selling more meals and turn the kitchen into a profit center. We're now serving 20,000 additional meals per week in meals on wheels. And

UNICARE

Headquarters: Madison, Wis.

Parent Company: United Health Inc.

Operations: Provides purchasing assistance for more than 2,000 affiliated nursing homes. In addition to negotiating prices with 30-35 food companies, works with suppliers to offer clients reduced prices on kitchen equipment.

New directions: "Plus" business includes meals on wheels and selling food in bulk to employees.

Biggest problem: Higher food prices resulting from drought.

400: PURCHASING

PURCHASING GROUPS

The organizations listed below would all qualify as members of the "400" if they operated foodservices. Instead, they function only as purchasing agents for members and clients. All serve primarily health-care institutions, although one, Preferred Purchasing Consortium, was established to improve the buying position of independent restaurants and clubs in the Detroit-Northern Ohio area. All sales figures are commercial equivalents.

Rank	Organization name	Current sales (in $ millions)	Current units
1	National Purchasing Organization/HPSI	$342.4	2.149
2	Amerinet/Valuefood	294.0	1,300
3	Unicare Health Facilities Purchasing Service	238.0	1.200
4	New York State Dept. of Purchasing	224.0*	115*
5	Baltimore Dept. of Purchasing	180.0	140
6	Hospital Purchasing Service Inc.	178.1	592
7	New York City Bureau of Procurement	175.0	95
8	Sisters of the Third Order of St. Francis	127.4	397
9	Illinois State Purchasing Administration	100.8	88
10	Wisconsin Bureau of Purchasing	100.8	48
11	HRI-Purchase Connection	84.0	177
12	California State Purchasing Bureau	84.0*	70*
13	Florida State Purchasing Administration	84.0	100
14	New Jersey State Purchasing Dept.	84.0*	48*
15	Pennsylvania Bureau of Administration	81.2*	50*
16	Sun Health	78.4*	0
17	Metropolitan Chicago Hospital Council	73.6	100*
18	Tennessee Purchasing Administration	70.0	45
19	Purchasing Admin., Commonwealth of Virginia	67.2	26
20	American Association of Homes for the Aging	56.2	283*
21	Indiana State Dept. of Administration	56.0	37
22	North Carolina Dept. of Administration	56.0**	24
23	Ohio Dept. of Purchasing	56.0*	38*
24	Mid-Atlantic Shared Services	47.6	140
25	PACE Shared Services	47.6*	138*
26	Bureau of Administration, State of Michigan	47.6*	35*
27	State of Missouri Bureau of Purchasing	46.2	32
28	Preferred Purchasing Consortium	45.0	150
29	MedEcon	44.8*	240
30	Hospital Services of New England	42.0	102
31	State of Washington Government Institutions	40.6	33
32	Louisiana Office of Purchasing	39.2	35
33	Kansas Bureau of Purchasing	35.0	30
34	Shared Services for Southern Hospitals	33.9*	100
35	State of Rhode Island Dept. of Purchasing	33.6	248
36	Maryland Dept. of General Services	30.8	31
37	Center for Health Affairs	29.7*	58
38	Sisters of the Sorrowful Mother	28.8	136
39	Support Health	28.8	140

* *R&I* estimate. ** company estimate. ©1989 *Restaurants & Institutions*, a Cahners publication

Regional and national purchasing organizations increase buying power of foodservice dollars.

there's one energetic supervisor producing sandwiches for a local vending company that serves her home operation.

A newer opportunity for plus business, and one growing in popularity, is that of selling food in bulk to a facility's employees. "We do real well on such items as meat or frozen pies," Goldman says.

Goldman and Beyer say they are confident of a place for buying groups like UHI in the future of foodservice. Right now, their concerns are more for the immediate present, and the impact on food prices of last drought. "It's forced sweeping changes in menus (among UHI clients)," Beyer says. "Products like corn or green beans are just not available to us—or not in our price range." Goldman adds that food costs in Unicare's own nursing home operations are already up 8% since the annual budget was set last October.

Along with UHI, two other major purchasing companies specialize in serving the long-term health-care field: National Purchasing Organization, with $122 million in food purchases in 1988 ($341.6 million commercial equivalent), and the American Association of Homes for the Aging, which bought an estimated $20 million in food and beverage last year ($56 million commercial equivalent).

Representing more than 200,000 health-care beds plus a growing number of senior meal programs, NPO moved into foodservice almost 14 years ago and now supplies food to health-care organizations (mostly nursing homes) that account for more than 20,000 patient beds. A for-profit service, NPO requires affiliated institutions to sign purchasing commitments and to maintain a record of prompt payment in order to receive discounts from approved distributors.

continued on page 194

400: PURCHASING

continued from page 190

Purchasing groups spend $625 million annually on F&B, equivalent to $1.75 billion for commercial foodservice sales; health care is segment with highest participation rate.

Health Procurement Services Inc., the Irvine, Calif.-based subsidiary of NPO, works largely through state and local associations to recruit new clients; services include free educational seminars for those associations with a high percentage of members buying through NPO/HPSI. In addition to the basic purchasing discounts, services offered to NPO clients include audits, monthly computer reports of purchases and design consulting.

The 3,500-member American Association of Homes for the Aging established its group-purchasing program less than five years ago, working on a state-by-state basis with affiliated state associations. Today, 11 states participate in AAHA. Purchase levels range from $868,000 in Indiana to more than $4.3 million in Minnesota, according to Tom Cutting, program manager for the Washington, D.C.-based association.

"The programs are set up with local distributors selected by members, and they have to be locally marketed by state associations," he points out. Cutting has also negotiated with manufacturers for special discounts for nonprofit member homes. These occur primarily in rebate form. "Most good distributors give a rebate out front," he says.

Hospital purchasing groups-- often called shared services—have been around a lot longer than those serving long-term care facilities. They are more numerous and more varied; and as the *R&I* "400" survey revealed, competition in their world is even more intense.

For example, while most groups negotiate prime-vendor programs under which members themselves buy directly from approved distributors, the New Jersey Hospital Association's Mid-Atlantic Shared Services takes phone orders from client hospitals and puts 1,400 items out to bid every month.

"By the end of this year, we hope to have five hospitals on-line," explains Nick Mandese, director of Contract Services for the group, which presently spends $17 million on food. Mandese sees his group's future in efficient computer-to-computer ordering and bidding. Other current projects include a new fresh-produce program and a complete A-to-Z desk reference for small wares.

Some regional buying groups downplay the national "super" groups, agreeing with Mandese, who believes that "dietary is strictly regional." But purchasing giant AmeriNet was established by four regional associations just like Mid-Atlantic to give their purchasing national clout. Today some 113 manufacturers have contracts with AmeriNet's dietary division, as do more than 40 distributors.

"We do the contracts with food manufacturers and distributors," says Tom Wesley, a former St. Louis restaurant manager who now heads AmeriNet's $100-$110 million a year food-purchasing division, ValueFood. "The sales and marketing of the program are local, and the local groups essentially handle the local bread, ice cream, meat and fish contracts."

Of AmeriNet's 2,700-member institutions, roughly half buy food through the organization. To prevent "cherry picking" among competing purchasing programs and to maintain buying volumes, the organization requires that participating members place 80% of their food purchases through ValueFood.

Catholic health-care institutions, at one time largely autonomous, have become increasingly centralized. In the process, purchasing groups are often established—and opened up to non-Catholic institutions. One prominent example is the buying organization affiliated with the hospitals of the Sisters of the Third Order of St. Francis, based in Peoria, Ill., which owns and/or manages a small group of eight facilities.

Food buyer Gilbert Gandenberger oversees a program serving 397 facilities that spend 35% of their $130 million annual food budget through the group's approved distributors. In addition to working with manufacturers to set prices (one manufacturer per product), Gandenberger has established a prime-vendor program through national distributor John Sexton & Co.

Viewing the market dominance of co-op buying in the health-care segment, one might ask why the same arrangement cannot succeed among commercial operators?

To a limited extent, it can. One example is lodging giant Sheraton's huge Unifood buying organization, which allows non-Sheraton customers to benefit from the hotel chain's purchasing muscle.

A more unusual example is the for-profit Preferred Purchasing Consortium of Dearborn, Mich. Preferred negotiates 40 different buying programs for its 150 client restaurants and clubs, offering reduced prices on services that range from medical insurance to carpet cleaning. The company's clients spend about $27 million on food, chemicals and disposables for the kitchen.

Jack Norwood, a principal in the firm, comes from a purchasing background: He was director of purchasing for a four-state region for ARA Services, then served in a similar capacity for Hospital Dietary Service. According to Norwood, his present clients include such well-known Detroit-area operators as the Joe Muer restaurants, the London Chop House and the Oakland (Mich.) Country Club.

Is Preferred Purchasing Consortium on the cutting edge of a new trend? Norwood is not certain and points to resistance from vendors as a potential obstacle. On the other hand, he says, similar organizations are now operating in the Midwest and on the West Coast. ***—Julie Woodman***

400: COMPANY INDEX

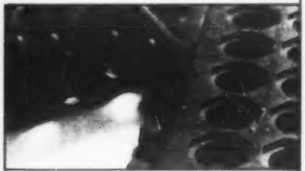
Organization (rank) page

A&W Restaurants Inc. (124) . . . 100
Acapulco Mexican Restaurants (232) . . . 124
Adam's Mark Hotels (264) . . . 130
Adventist Health System (206) . . . 119
American Medical International Inc. (278) . . . 134
Amfac Resorts Inc. (285) . . . 134
AMTRAK (258) . . . 129
ARA Services Inc. (9) . . . 73
Arby's Inc. (19) . . . 78
Arctic Circle Inc. (315) . . . 136
Ark Restaurants Corp. (324) . . . 138
Army & Air Force Exchange Service (38) . . . 80
Arthur Treacher's Inc. (335) . . . 142
Associated Hosts Inc. (236) . . . 128
Atlas Hotels Inc. (354) . . . 146
Au Bon Pain (323) . . . 138
Bakers Square Restaurants (111) . . . 97
Bally Resort Hotels (114) . . . 97
Baskin-Robbins Ice Cream Co. (35) . . . 80
Beefsteak Charlie's Inc. (282) . . . 134
Benihana of Tokyo Inc. (184) . . . 114
Bennigan's Restaurants (46) . . . 82
Beverly Enterprises (78) . . . 90
Big Boy (22) . . . 79
Bill Knapp's Michigan Inc. (205) . . . 119
Blake's Lotaburger Inc. (382) . . . 149
Bob Evans Farms Inc. (74) . . . 90
Bobby McGee's USA Inc. (254) . . . 129
Bobby Rubino's Place for Ribs (316) . . . 136
Bojangles' Corp. (167) . . . 112
Bombay Bicycle Club (246) . . . 128
Bonanza Restaurants (39) . . . 80
The Boyd Group (257) . . . 129
Braum Ice Cream & Dairy Stores Co. (145) . . . 107
Bresler's Ice Cream & Yogurt Shops (318) . . . 138
Brigham's Inc. (374) . . . 149
Broward County School Board, Foodservice Division (384) . . . 149
Brown Derby Inc. (121) . . . 100
Brown's Chicken (163) . . . 112
Burger King Corp. (2) . . . 73
Burgerville USA (395) . . . 152
Caesar's World Inc. (146) . . . 107
C.A. Muer Corp. (224) . . . 124
The C&C Organization (371) . . . 148
California Department of Corrections (102) . . . 96
California Department of Developmental Services (290) . . . 135
California Department of Rehabilitation, Business Enterprise Program (166) . . . 112
Canteen Corp. (17) . . . 78
Captain D's (57) . . . 88
Carlos Murphy's (317) . . . 138
Carl's Jr. (45) . . . 82
Carousel Snack Bars Inc. of Minnesota (262) . . . 130
Carter Hawley Hale Stores (393) . . . 152
Carvel Corp. (88) . . . 92
Casa Olé Restaurants & Cantinas (329) . . . 138
Charlie Brown's restaurants (266) . . . 130
Chart House Restaurants (158) . . . 108
Chicago Board of Education, Dept. of Foodservice (150) . . . 108
Chi-Chi's Inc. (51) . . . 88
Chili's Inc. (63) . . . 88
Chick-fil-A Inc. (94) . . . 96
Church's Chicken Inc. (41) . . . 82
Church St. Station (379) . . . 149
Cinnabon's World Famous Cinnamon Rolls (400) . . . 152
The Circle K Corp. (82) . . . 92
Circus Circus Enterprise (201) . . . 118
Club Corp. of America (147) . . . 107
Concession Air Corp. (130) . . . 100
Convenient Food Marts (198) . . . 118
Corporate Food Services Inc. (353) . . . 146
Country Kitchen International (123) . . . 100
Country Pride Restaurants (277) . . . 134
Cracker Barrel Old Country Store Inc. (165) . . . 112
CVI Service Group Inc. (356) . . . 146
Dade County Schools, Foodservice Division (243) . . . 128
Dairy Queen (11) . . . 78
dāka Food Service (127) . . . 100
Dallas Independent School District (336) . . . 142
Dalts (347) . . . 146
Damon's Inc. (305) . . . 136
Daughters of Charity Health Systems (209) . . . 119
David's Cookies (250) . . . 129
Days Inns of America Inc. (59) . . . 88
Dayton Hudson Department Store Co. (307) . . . 136
Delaware North Cos. Inc. (207) . . . 119
Del Taco Inc. (96) . . . 96
Denny's Inc. (15) . . . 78
Department of Public Welfare, Commonwealth of Pa. (268) . . . 130
Detroit Public Schools (351) . . . 146
Dino's/Crusty's USA Inc. (273) . . . 130
Diversified Hospitality Group (309) . . . 136
Dobbs Houses Inc. (174) . . . 112
Dobbs International Services Inc. (64) . . . 88
Domino's Pizza Inc.(10) . . . 73
Doubletree Hotels (164) . . . 112
Druthers International Inc. (172) . . . 112
Dunkin' Donuts Inc. (28) . . . 79
Eat'N Park Restaurants Inc. (226) . . . 124
El Chico Corp. (159) . . . 108
Elmer's Pancake & Steak House Inc. (337) . . . 142
El Pollo Loco (154) . . . 108
El Torito Restaurants Inc. (53) . . . 88
Embassy Suites (134) . . . 100
The Evangelical Luthern Good Samaritan Society (287) . . . 134
Everything Yogurt Inc. (275) . . . 134
Fairfax County Public Schools, Foodservice Division (366) . . . 148
Fair Lanes Inc. (343) . . . 142
Fairmont Hotels (212) . . . 119
Flik International Corp. (383) . . . 149
Food Concepts Inc. (180) . . . 114
Food Dimensions Inc. (143) . . . 107
Fosters Freeze International (173) . . . 112
4B's Restaurants Inc. (399) . . . 152
Friendly Ice Cream Corp. (40) . . . 80
Fuddruckers Inc. (141) . . . 107
Furr's/Bishop's Cafeterias (77) . . . 90
F.W. Woolworth Co. (136) . . . 107
Garcia's Mexican Restaurants (227) . . . 124
Godfather's Pizza Inc. (95) . . . 96
Golden Corral Corp. (47) . . . 82
Grand American Fare Inc. (339) . . . 142
Grandy's (115) . . . 97
The Great American Chocolate Chip Cookie Co. (239) . . . 128
Greyhound Food Management Inc. (72) . . . 90
The Ground Round Inc. (105) . . . 96
Guest Services Inc. (188) . . . 114
The Häagen-Dazs Shoppe Co. (220) . . . 124
Hamburger Hamlet Inc. (286) . . . 134

400: COMPANY INDEX

Organization (rank) page

Happy Chef Restaurants (338) . . .142
Happy Joe's Pizza & Ice Cream Parlor Inc. (375) 149
The Happy Steak Inc. (388) . . .152
Hard Rock Cafe America (240) 128
Hardee's Inc. (8) 73
Harrah's Casino Hotels (148) 107
Harry M. Stevens Inc. (109) 97
HBJ Parks Inc. (189) 114
Health Care & Retirement Corp. (293) 135
Health Trust Inc. (217) 119
Helmsley Hotels (314) 136
Hillsborough County School Board (312) 136
The Hilltop Steakhouse (361) 148
Hilton Hotel Corp. (20) 78
Holiday Inn Hotels (32) 80
Hooters Restaurants (389) 152
Horizon Hotels Ltd. (302) 135
Hospital Corp. of America (97) 96
Hot Sam Pretzels (298) 135
Houston Independent School District (245) 128
Houston's Restaurants (218) . . .119
Howard Johnson (161) 108
Huddle House Inc. (280) 134
Humana Inc. (183) 114
Hyatt Hotel Corp. (27) 79
Hyatt International (106) 96
I Can't Believe It's Yogurt (308). 136
In-N-Out Burgers (368) 148
Inter-Continental Hotels Corp. (52) 88
International Blimpie (160) 108
International House of Pancakes Restaurants (69) 90
International King's Table Inc. (203) 118
Jack In The Box (31) 80
Jack's Food Systems Inc. (352) 146
J.B.'s Restaurants Inc. (171) . . .112
J.B. Winberie's (392) 152
Jerry's Caterers Inc. (396) 152
Jerry's Restaurants (303) 136
Jerry's Systems Inc. (319) 138
K-Bob's Steak Houses Inc. (252). 129
Kentucky Fried Chicken (3) 73
Kettle Restaurants Inc. (155) . . .108
King's Family Restaurants (359). 148
K mart Corp. (65) 90
Knott's Berry Farm (364) 148
The Krystal Co. (118) 97
K&W Cafeterias Inc. (270) 130
Lackmann Food Service (327) . .138
L&N Seafood Grill (310) 136
LaRosa's Inc. (362) 148
Lee's Famous Recipe Chicken (139) 107
Legal Sea Foods Inc. (265) 130
Leiserv Inc. (334) 142
Le Peep Restaurants Inc. (365) 148
Lettuce Entertain You Enterprises Inc. (196) 118
The Levy Restaurants Inc. (233). 128
Little Caesars Pizza (23) 79
Loews Hotels (179) 114
Long John Silver's Seafood Shoppes (30) 79



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For information circle **64**

400: COMPANY INDEX

Organization (rank) page

Los Angeles Unified School District (116) . . . 97
Luby's Cafeterias Inc. (84) . . . 92
Lyon's Restaurants Inc. (170) . . . 112
Magic Pan (283) . . . 134
Maid-Rite Products Inc. (279) . . . 134
Manor Health Care (248) . . . 129
Marie Callender Pie Shops Inc. (100) . . . 96
Mariner Hotel Corp. (274) . . . 130
Marriott Family Restaurants (192) . . . 118
Marriott Food Service Mgmt. (5) . . . 73
Marriott Lodging Division (18) . . . 78
Marriott Travel Plazas (216) . . . 119
The May Co. (229) . . . 124
Mazzio's Pizza (138) . . . 107
McCrory Stores (247) . . . 129
McDonald's Corp. (1) . . . 73
McFaddin Ventures (301) . . . 135
MCL Cafeterias (284) . . . 134
Michigan State University (372) . . . 148
Mister Donut of America (98) . . . 96
Mr. Gatti's Inc. (152) . . . 108
Mr. Steak Inc. (185) . . . 114
Mrs. Field's Inc. (126) . . . 100
Mrs. Winner's Chicken (202) . . . 118
Morrison Custom Management (43) . . . 82
Morrison Family Dining Division (68) . . . 90
Mountain Mike's Pizza Inc. (380) . . . 149
Nathan's Famous Inc. (342) . . . 142
National Heritage Corp. (214) . . . 119
National Medical Enterprises Inc. (99) . . . 96
Navy Resale and Services Support Office (156) . . . 108
New Jersey Department of Corrections (204) . . . 118
The Newport Creamery Inc. (390) . . . 152
New York City Board of Education (90) . . . 92
New York City Health and Hospitals Corp. (230) . . . 124
The New York Restaurant Group (385) . . . 149
New York State Office of Mental Health (213) . . . 119
New York State Office of Mental Retardation (297) . . . 135
Noble Roman's Inc. (349) . . . 146
North Carolina State Department of Corrections (325) . . . 138
Northwest Airlines Inc. (197) . . . 97
Numero Uno Pizza Pasta & More (376) . . . 149
O'Charley's Inc. (360) . . . 148
Ogden Allied Services Corp. (50) . . . 82
Ohio Department of Mental Health (225) . . . 124
Ohio Department of Rehabilitation & Correction (235) . . . 128
Old Country Buffets (200) . . . 118
The Old Spaghetti Factory (296) . . . 135
Olga's Kitchen Inc. (300) . . . 135
Olive Garden (70) . . . 90
Omni Hotels Corp. (128) . . . 100

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Orange Julius (153) 108
The Original Cookie Co. (276) 134
The Original Seafood Shanty Inc. (340) 142
Palm Restaurants (346) 146
Pancho's Mexican Buffet Inc. (234) 128
Papa Gino's of America (149) . . .108
Paragon Specialty Restaurants (119) 97
Penguin's Frozen Yogurt (320) 138
Pennsylvania Department of Corrections (341) 142
PePe's Inc. (378) 149
Perkins Family Restaurants L.P. (56) 88
Perko's Coffee Kup (332) 142
Peter Piper Inc. (259) 129
Phillips Seafood Restaurants (311) 136
Piccadilly Cafeterias Inc. (89) . . .92
Pietro's Corp. (322) 138
Pioneer Take Out Corp. (231) . .124
Pizza Hut (4) 73
Pizza Inn (67) 90
Pizzeria Uno Restaurants (228) . .124
PoFolks Inc. (129) 100
Pointe Resorts (255) 129
Ponderosa Inc. (33) 80
Popeyes Famous Fried Chicken (44) 82
Prime Motor Inns (208) 119
Princess Hotels International (195) 118
Professional Food-Service Management Inc. (190) 114
Prufrock Restaurants (211) 119
Quality Inns International (55) 88
Quincy's Family Steak Houses (87) 92
Radisson Hotel Corp. (79) 92
Ralph & Kacoo's (386) 149
Ramada Gaming Group (223) . .124
Ramada Hotel Group (42) 82
Rax Restaurants Inc. (61) 88
Red Lion (142) 107
Red Lobster (16) 78
Red Onion Restaurants (288) . . .134
Red Robin International (168) . .112
The Registry Hotel Corp. (178). .114
Resorts International Inc. (186). .114
Restaurant Associates Group (194) 118
Restaurants Unlimited Specialty Restaurants (238) 128
The Ritz-Carlton Hotel Co. (140). 107
Rocky Rococo Corp. (306) 136
Round Table Pizza (81) 92
Royal Fork Buffet Restaurants (381) 149
Roy Rogers (36) 80
Ruby Tuesday (151) 108
Rusty Pelican Restaurants Inc. (244) 128
Rusty Scupper (357) 146
Ruth's Chris Steak House Inc. (321) 138
Ryan's Family Steak Houses Inc. (92) 92
Sands & Co. Inc. (291) 135
S&S Cafeterias (367) 148
Sandwich Chef Inc. (355) 146
Sanese Services Inc. (237) 128
Sbarro Inc. (131) 100

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For information circle **66**

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Grandy's

400: INDEX

Organization (rank) page

Schlotzsky's Inc. (263) . . . 130
School District of Philadlephia (281) . . . 134
Schwartz Bros. Restaurants (391) . . . 152
Sea Galley Stores Inc. (261) . . . 130
The Seiler Corp. (108) . . . 97
Service America Corp. (21) . . . 79
ServiceMaster Co., Food
  Management Division (110) . . . 97
7-Eleven (34) . . . 80
Shakey's Inc. (85) . . . 92
Shari's Family Restaurants (345) . . . 146
The Sheraton Corp. (13) . . . 78
Shoney's Restaurants (25) . . . 79
Showboat Inc. (267) . . . 130
ShowBiz Pizza Chuck E. Cheese (104) . . . 96
Sirloin Stockade International (260) . . . 129
Sisters Chicken & Biscuits (292) . . . 135
Six Flags Corp. (199) . . . 118
Sizzler Restaurants International (26) . . . 79
Skipper's Inc. (176) . . . 112
Sky Chefs Inc. (73) . . . 90
Skyline Chili Inc. (358) . . . 146
Sonesta International Hotels Corp. (326) . . . 138
Sonic Industries Inc. (62) . . . 88
Sonny's Real Pit Bar-B-Q Inc. (249) . . . 124
Southern Foodservice
  Management Inc. (294) . . . 135
Specialty Restaurants Corp.(113) . . . 97
Spencecliff Corp. (373) . . . 149
Spire's Restaurants (348) . . . 146
Sportservice Corp. (132) . . . 100
State of Hawaii School Foodservice (295) . . . 135
Steak & Ale (101) . . . 96
Steak 'n Shake Inc. (191) . . . 118
Stouffer Hotel Group (117) . . . 97
Stouffer Specialty Restaurants (299) . . . 135
Straw Hat Pizza (369) . . . 148
Stuart Anderson's Black Angus (120) . . . 97
Stuckey's Corp. (241) . . . 128
Sub Station II (394) . . . 152
Subway (37) . . . 80
Swensen's Ice Cream Co. (181) . . . 114
Taco Bell (12) . . . 78
Taco Bueno (210) . . . 119
Taco John's International (157) . . . 108
Taco Tico Inc. (331) . . . 142
Taco Time (187) . . . 114
Taco Villa Inc. (197) . . . 118
Target Stores Inc. (251) . . . 129
Tastee Freez (133) . . . 100
Tavern on the Green (387) . . . 152
TCBY Enterprises Inc. (103) . . . 96
Tennessee Department of Corrections (398) . . . 152
Texas Department of Corrections (350) . . . 146
Texas Department of Mental Health
  & Mental Retardation (333) . . . 142

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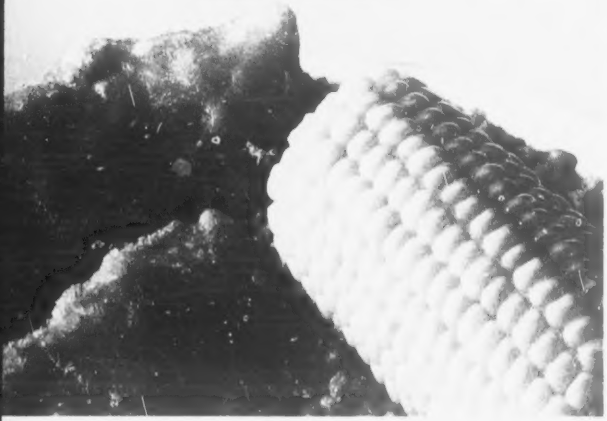

TGI Friday’s Inc. (58) 88
T.J. Cinnamon’s Bakeries (269). 130
T.K. Tripps Inc (370) 148
Togo’s Eatery (249) 129
Tony Roma’s—A Place for Ribs (122) 100
Trader Vic’s (272) 130
Trans/Pacific Restaurants Inc. (182) 114
Trans World Airlines Inc. (80) 92
TrettCo Inc. (215) 119
Trusthouse Forte
  Food Services Inc. (135) 107
Trusthouse Forte Hotels (175) 112
Two Pesos Mexican Cafes (304). 136
Unicare Health Facilities Inc. (330) 138
United Airlines (60) 88
Universal Services Inc. (271) 130
U.S. Air Force Engineering
  and Services Center (71) 90
U.S. Air Force Medical Service (377) 149
U.S. Air Force Open Mess System (66) 90
U.S. Army Community &
  Family Support Centers (29) 79
U.S. Army Medical Department (253) 129
U.S. Army Troop Support Agency (14) 78
U.S. Coast Guard (313) 136
U.S. Dept. of Agriculture Food
  & Nutrition Service (6) 73
U.S. Dept. of Justice, Federal
  Prison System (193) 118
U.S. Marine Corps (91) 92
U.S. Marine Corps Morale &
  Recreation Support (328) 138

&RESTAURANTS INSTITUTIONS

U.S. Naval Medical Command (363) 148
U.S. Navy Food Service Systems
  Office (24) 79
U.S. Navy Officer’s and Enlisted
  Club System (125) 100
Valentino’s (344) 142
Valley Food Service Corp. (222) 124
Velvet Turtle (256) 129
Veterans Administration (86) 92
Veterans Canteen Service (242). 128
Vie de France Restaurant Corp. (289) 135
Village Inn Pancake Houses (93). 96
Waffle House Inc. (83) 92
Wag’s Family Restaurants (169). 112
Walt Disney Co. (54) 88
Weathervane Seafood Restaurants (397) 152
Wendy’s International Inc. (7) 73
Western Sizzlin’ Steak House Inc. (48) 82
Western Steer (221) 124
Westin Hotels & Resorts (49) 82
Whataburger Inc. (76) 90
White Castle System Inc. (75) 90
Wienerschnitzel (162) 108
Winchell’s Donut House (137) 107
Wometco Food Services (177) 114
The Wood Co. (144) 107
Wyatt Cafeterias Inc. (112) 97

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For information circle 67

ACTION EXPRESS

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BUSINESS STAFF

Barry H. Reese, Publishing Director; Jane Young Wallace, Vice President/Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Corinne Zollars, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Candice J. Hammett, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: (312) 635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: (203) 328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: (212) 463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: (216) 696-1800. **Southeast:** Thomas McElhinny, Regional Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: (404) 955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone (415) 981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: (714) 851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: (713) 497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: (214) 980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: (03) 366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
AKRO Corporation (p.200)	64
A.F. Industries (p.234)	81
Allen Canning (p.192-193)	59
Alto-Shaam, Inc. (p.101-106)	25,26,27,28
American Dairy Association (p.168-169)	48
American Gas Association (p.209-216)	190,235-240
American Permanent Ware, Inc. (p.143)	37
American Wyott (p.167)	47
Basic American Foods (p.81,83)	21,22
Beatrice Cheese/Pauly Brand (p.126-127)	34
Beef Industry Council (p.109-111)	29
Bettcher Industries (p.202-203)	66
Beverage Air (p.227)	72
Bil Mar Foods, Inc. (p.173)	49
Borden Refrigerated Food Foodservice (p.113)	30
Boyle's Famous Corned Beef Co. (p.231)	74
Buffalo China, Inc. (p.131)	35
Calavo Foods, Inc. (p.50-51)	15
California Avocado Commission (p.174-175)	52
Cambro Mfg. Co. (p.98-99)	24
Capital City Prod. (p.172-C)	95
Carnation Co., Foodservice (p.160-161)	45
Chicago Mercantile Exchange (p.45)	12
Classified Advertising (p.236-244)	
Commercial Aluminum Cookware Co. (p.225)	71
Dannon Co. (p.125)	33
The Delfield Company (p.89,91,93)	23
Del Monte Foodservice (p.132-133)	
Dixie Crystals/Savannah Food & Industries, Inc. (p.206-207)	68
Durkee-French Foods, Inc. (p.53)	16
Equal Low Calorie Sweetner (p.46-47,49)	13,14
Fisher Cheese Co., Div. Borden Refrigerated Foodservice (p.113)	30
Follett Corporation (p.208)	69
Frito-Lay Inc. (p.52 A-52-B)	90
General Foods Corp., Beverages (p.165)	46
General Foods Corp., Boboli (p.147)	40
General Foods, Open Pit (p.57,59)	17
General Mills, Foodservice Div. (p.120-123)	32
Goodyear, Polyester Div. (p.196)	61
Heinz Co., H. J. (p.16-21)	6,7
Hobart Corp. (p.IBC)	88
The Homer Laughlin China Company (p.198)	1
Hormel & Co., George A. (p.184-185)	56
Hunt-Wesson Foodservice Div. (p.7-10)	3
Iceland Seafood Corp. (p.68-71)	19,20
Idaho Potato Commission (p.220)	101
International Cold Storage Co., Inc. (p.6)	63
Jade Range Co. (p.234)	82
Lanikai International, Ltd. (p.115-117)	31
Le Gout Foods, Div. Fearn International, Inc. (p.153)	42
Lincoln Foodservice Products, Inc. (p.191)	58
McClancy Seasoning/Spice Trader (p.52-D)	92
McCormick/Schilling (p.144-145)	38,39
McGlaughlin Oil (p.234)	80
Manitowoc Equipment Works (p.197)	2

continued on page 245

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

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RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

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JULY 24, 1989

PRODUCT OF THE YEAR:
THE CHICKEN SANDWICH

Part II: Menu Concepts

JULY 24, 1989

CONTENTS

VOL. 99 NO. 19

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS
A summary for busy readers 5

COMMENTS
Change continues in the "400" 11

VIEWPOINT
Trivialities and pepper grains 12

R&I FORUM
Reader's Opinion: Picking the best consultant 14
Letters 14

400: OVERVIEW
Restaurants take cues from customers 18

400: BURGERS
Fast-food menus offer full-service variety 28

400: SANDWICHES
Sandwiches fill a fresh market niche 37

400: CHICKEN
Chains peck at non-chicken competitors 51

400: MEXICAN
Hot Mexican market sparks clever tactics 65

400: SWEETS
Sweet success comes with varied menu 73

400: SEAFOOD
Seaworthy segment freshens up its act 85

400: PIZZA/ITALIAN
Big pizza chains try for more of the pie 105

400: STEAK & BBQ
How about some steak with that salad? 119

400: DINNER HOUSES
Dinner-house daring: to health with gusto 128

400: FAMILY DINING
Down-home and ethnic trends broaden menus 140

400: CAFETERIAS
Cafeterias target family-dining market 159

400: RETAIL/C-STORES
Retail, c-stores weigh foodservice options 171

400: HOTEL DINING
Signature concepts gain in popularity 174

400: EDUCATION
Eye appeal helps sell nutritious menus 183

400: MILITARY
Military foodservices under financial gun 189

400: HEALTH CARE
Health-care headache: to tend profit or cost? 193

400: CONTRACTORS
Contract giants play brand-name game 197

400: COMPANY INDEX
An alphabetical listing of "400" companies in this issue 202

LIQUID ASSETS
Spirits: Spirited cooking adds kick to familiar foods 210

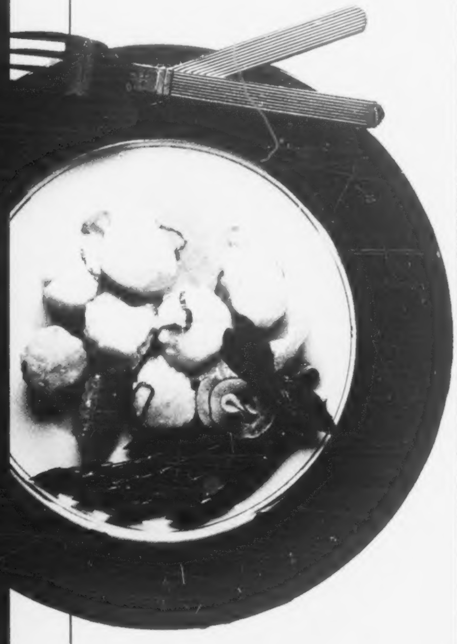
MARKETPLACE
Buyers Mart: New products 213

CLASSIFIED ADS
Buying, selling, changing jobs 238

ACTION EXPRESS
For more product information 248

ADVERTISING INDEX
Where to find ads in this issue 248

READER SERVICE CARD
To send for more information 249



(L.) Club Corp. of America's healthful seafood entree.

400: OVERVIEW

All dressed up and packaged to go: Arby's Roast Chicken Club, served with bacon, lettuce, tomato and mayo, exemplifies the Product of the Year, grilled chicken sandwiches.

RESTAURANTS TAKE CUES FROM CUSTOMERS

Life styles count more than ever in menu development, marketing strategies and service enhancements.

RESTAURANTS & INSTITUTIONS

More than ever, foodservice executives are looking beyond the research-and-development lab and into customers' lives for inspiration. Health concerns dictate new menu items. The need for speed prompts chains to redouble takeout efforts and try new service ideas, such as orders by fax and credit-card payments. And more and more chains are basing advertising campaigns on consumer opinion polls.

Foodservice's bow to consumers is most evident in the last 12 months' bumper crop of chicken sandwiches. The new breed of chicken sandwich features grilled—not fried—breast meat, in deference to the public's desire for a relatively low-fat sandwich. Jack In The Box, Druthers and Carl's Jr., all of which offer deep-fried chicken sandwiches, now list grilled sandwiches on the menu as well. "It's the perfect chicken sandwich for health-conscious consumers who are looking for a fast-food alternative to fried chicken," said Mo Iqbal, vice president of marketing at Jack In The Box, upon the grilled sandwich's debut.

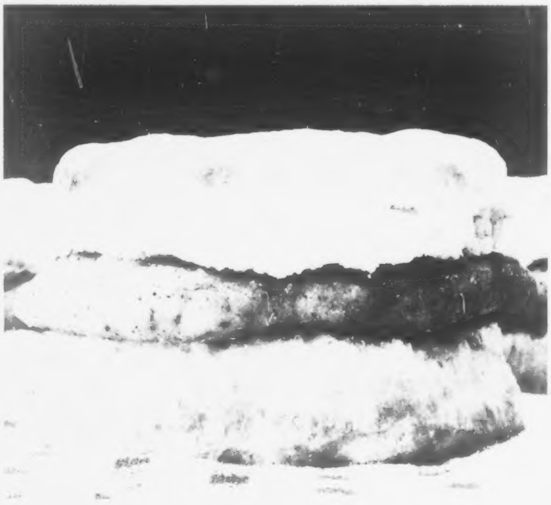
Low-fat, however, doesn't mean taste-free. Arby's dresses up its roast chicken club with traditional club accoutrements—bacon, mayonnaise, lettuce and tomatoes. International House of Pancakes offers patrons a choice of four grilled sandwiches, ranging from plain grilled chicken to a blue cheese-stuffed extravaganza. Customers prefer the plain sandwich, according to Steve Pettise, IHOP's vice president of marketing. Wood Co. lists a Cajun-spiced chicken sandwich and a grilled skinless breast of chicken served on a multigrain bun on its Grills & Frills menu.

Health concerns and outright pressure from some consumer groups have prompted restaurants to replace animal-vegetable shortening with pure vegetable shortening. Hardee's, Arby's, Jack In The Box and Carl's Jr. use vegetable oil for all frying. McDonald's fries everything except french fries in vegetable shortening. Taco Bell stopped frying in lard last year, and asked all suppliers to replace lard with corn oil in tortilla and bean recipes. Chili's, too, switched to vegetable oil last year. Red Onion uses canola oil (formerly called rapeseed oil) for preparation of Mexican entrees. TGI Friday's is testing use of olive oil and peanut oil in place of butter for sauteed dishes.

Institutional operations solicit customers for menu input as well. Fairfax County Public Schools test new menu items on students, who fill out evaluation forms in exchange for a free meal. Women students, who account for two-thirds of the participants in Michigan State University's foodservice program, persuaded the school to oven-bake, not fry, chicken and fish. Beverly Enterprises executives say they no longer offer trendy foods to nursing-home residents, whose eating habits are well-entrenched.

Several companies have made menu moves that play to the public's fascination with name brands. Subway's low-fat sandwiches are made with a retail brand of turkey-based cold cuts. Schlotzsky's makes its turkey sandwich with a popular brand of turkey. Yogurt chains, such as Bresler's and Everything Yogurt, have capitalized on brand awareness by replacing generic brands with their own brand of frozen yogurt.

Contractors, too, play the brand-name game. ARA Services offers Dunkin' Donuts, attractively displayed in mini cases, at B&I



Druthers' grilled chicken sandwich joins fried chicken sandwiches, burgers and packaged salads on the chain's menu.

continued on page 21

400: OVERVIEW

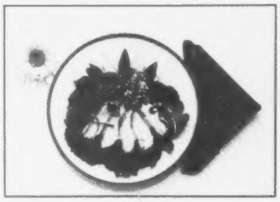
Operators grill chicken, pack salads to go and cook with "good" oils in deference to customers' wishes.

continued from page 19

locations. Morrison's Custom Management and McDonald's are pitching hospital accounts together: Morrison for patient feeding and McDonald's for non-patient needs. "I think affiliations between contractors and high-recognition chains will be a strong trend in the near future," comments Neil Reyer, president of restaurant and travel management at New York's Chemical Bank. Foodservice operators without ties to commercial brands create their own: Wood Co. offers Grills & Frills and Stack's Deli to clients. The Navy has commissioned a club-management company to operate sports-theme bars on bases.

Takeout, perhaps the biggest trend of the '80s, keeps both commercial and institutional operators busy as they devise better ways to prepare and package food to go. Ira Hermann, new president of Columbus, Ohio-based Rax Restaurants, vows to get salads off the food bar and into a package suitable for drive-thru customers. (Packaged salads, featured last year as the "400" Product of the Year, continue to join menus. Burger King, Hardee's and International Blimpie rolled packaged salads systemwide in 1988.) The Marine Corps, in an innovative move, is testing canned white bread for field use.

On a selective basis, fast-food chains now enlist the service of fax machines to speed service and accommodate corporate customers. Burger King franchisees in Connecticut and McDonald's franchisees in Illinois report that most fax orders come in at lunch (of course), but account for a minimal percentage of business. The same data applies to credit-card payment, which is in various stages of test at McDonald's, Burger King, Wendy's and Arby's. Customers can use ATM cards at Carl's Jr.



Chicken scores with contractor clients: Seiler's Warm Chicken Salad recipe specifies margarine.

Bakers Square's pita sandwiches feature chicken, beef or pork stir-fried with vegetables.

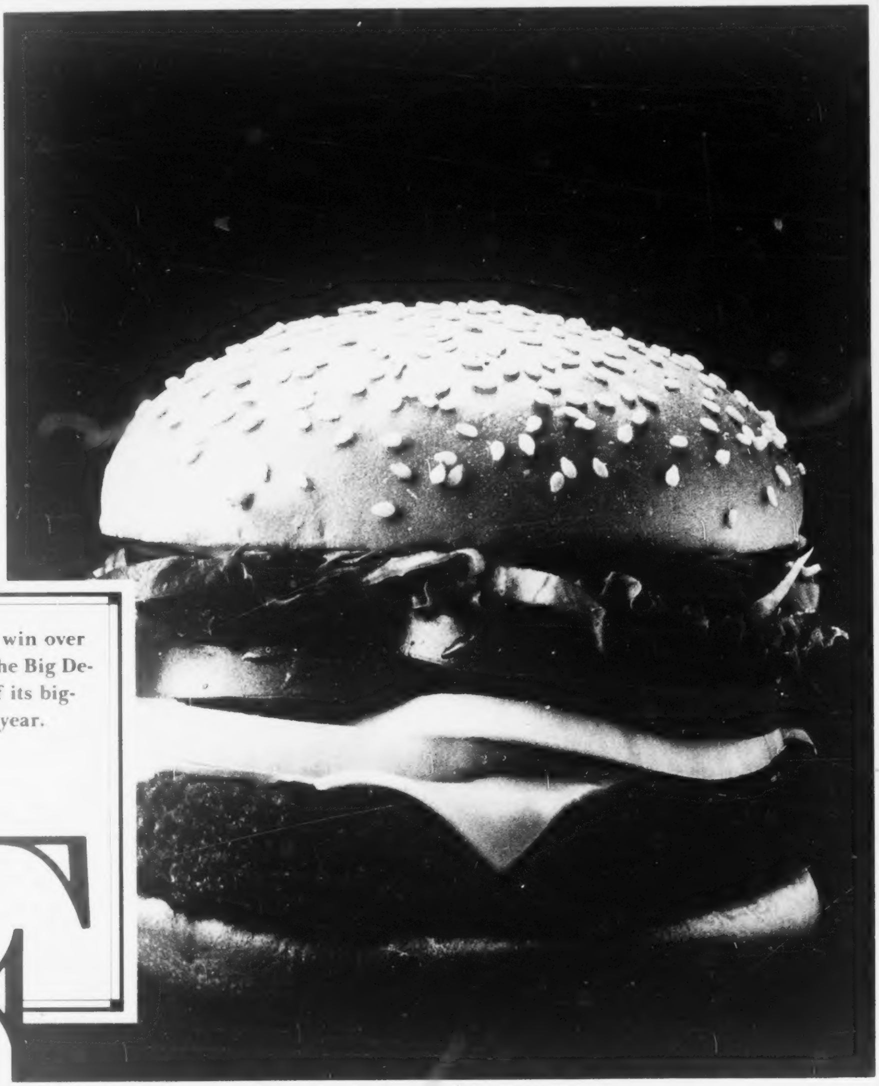
Full-service caters to the need for a quick meal not with takeout service, but with quick-service guarantees. Bennigan's offers to serve within 15 minutes after the order is placed. Bob Evans and Red Lobster also guarantee 15-minute service. Executives from several dinner-house chains say they are keeping an eye on takeout: Chili's has designed packaging emblazoned with its distinctive logo, but has yet to launch a takeout program.

The appeal to customers' life styles is most apparent in the year's crop of advertising campaigns. Hoping to tap into the "family" trend, both Kentucky Fried Chicken and Bob Evans pitch homey images. (Burger King tried the same approach with "We Do It Like You Do It.") Hardee's tries to convince customers that it's doing it all for them with "We're Still Out to Win You Over."

Wendy's International, in its most recent marketing effort, quotes a study saying that Wendy's beats McDonald's two-to-one in customer taste tests. To make sure this preference continues, Wendy's founder David Thomas appears in television commercials, offering a money-back guarantee on Wendy's hamburgers. Pizza Hut has beefed up its "Makin' It Great" campaign with a long list of "Best Pizza" awards, including its first-place spot in *R&I's* 1989 Choice in Chains poll.

Competitive advertising, however, is hardly a thing of the past: Little Caesars pokes fun at pizza chains that don't offer two-for-one pizzas (are there any left?), and Arby's holds up famous fast-food icons in recent advertising campaigns. ***—Lisa Bertagnoli***

400: BURGERS



Hardee's, still out to win over customers, featured the Big Deluxe burger in one of its biggest promotions last year.

FAST-FOOD MENUS OFFER FULL-SERVICE VARIETY

Burger menus grow: McDonald's boasts 40 choices, Hardee's expands breakfast, Burger King debuts packaged salads.

Since 1966—the year McDonald's added fish sandwiches to the menu—burger chains have diversified menus, proving to customers that quick-service restaurants can serve more than burgers without jeopardizing consistency and speed of service.

Today's top burger makers really are quick-service coffee shops, offering everything from full, hot breakfasts to late-night snacks. Hardee's breakfast menu is built on a 3½-inch homemade biscuit, studded with raisins or topped with scrambled eggs and breakfast meats. Jack In The Box is making a name for itself among adult fast-food fans with its line of finger foods. McDonald's, Burger King, Wendy's, Hardee's, Carl's Jr. and Druthers offer entree salads, long a staple at coffee shops.

Quick-service salads do one thing that coffee shop salads do not: They accommodate drive-thru customers, which now account for about 50% of all burger-chain transactions. As packaged salads replace salad bars in most chains (Wendy's continues to roll the SuperBar), burger-chain menus are becoming completely portable.

Despite the emphasis on drive-thru patrons, burger chains take care of eat-in customers as well. Burger King's new British owners plan a complete remodeling and clean-up campaign for the chain's 850 company stores. Hardee's continues its two-year-old effort to lighten and brighten stores; 241 restaurants were remodeled in 1988, and another 150 are scheduled for facelifts this year. Arctic Circle, acquired by management from Quaker State last year, redesigned its building in an effort to seat people more comfortably and maximize drive-thru efficiency.

There remains, however, one anomaly in this year's list of "400" burger chains. In-N-Out Burger serves only burgers, fries, shakes and soft drinks—no salads or tacos—at its 53 restaurants in Southern California. The formula works: Sources say In-N-Out racks up higher unit volumes than McDonald's. But will a limited menu, in place since the first In-N-Out opened in 1948, survive in a full-menu world? In-N-Out executives won't say: They declined to be interviewed for this story.

McDONALD'S **$16,100MM**

Country-style McChicken, deep-fried, served on a bun with lettuce and mayonnaise and priced at $2.69 in company stores, has hit the McDonald's menu after several years in test. McChicken is McDonald's first major product introduction since packaged salads were rolled out in 1987.

While the salad lineup remains the same—chef, garden, side, Chicken Oriental and shrimp in some markets—McDonald's has rolled out peppercorn, Caesar's and light French dressing to give customers a change of taste. New McNuggets sauces, such as an Italian marinara, are in the testing stages.

Pizza, one of the few popular foods McDonald's has yet to conquer, has been pulled out of test markets and is now back in the test kitchen. Also in test are celery and carrot sticks and a pure vegetable oil for french fries.

BURGER KING **$5,400MM**

Because of management changes, menu development at Burger King slowed during 1988. Four packaged salads—chicken

This spring, McDonald's introduced McChicken, its first major product rollout since packaged salads.

continued on page 32

400: BURGERS

Hardee's means biscuits: Raisin, chicken and sausage breakfast biscuits account for 30% of total sales.

LEADING BURGER COMPANIES

1	**McDONALD'S (1)**	Sales: $16,100MM	Units: 10,513
2	**BURGER KING (2)**	Sales: $5,400MM	Units: 5,793
3	**WENDY'S INTL. (7)**	Sales: $2,902MM	Units: 3,762
4	**HARDEE'S (8)**	Sales: $2,733.3MM*	Units: 3,100
5	**JACK IN THE BOX (31)**	Sales: $755MM	Units: 961
6	**CARL'S JR. (45)**	Sales: $480MM	Units: 477
7	**SONIC INDUSTRIES (62)**	Sales: $356MM	Units: 980
8	**WHITE CASTLE (75)**	Sales: $282MM	Units: 237
9	**WHATABURGER (76)**	Sales: $280.5MM*	Units: 415*

continued on page 34

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. *R&I estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

continued from page 29

($2.69), chef ($2.69), garden ($1.89) and side (99 cents)—joined the menu early last year, and 1989's plans call for systemwide rollout of Burger Deluxe and Cheeseburger Deluxe.

Observers agree, however, that the chain needs operational changes more than new menu items, and that Grand Met seems headed in the right direction. New President and Chief Executive Barry Gibbons trimmed staff at Miami headquarters and announced a company-store cleanup plan, then brought on Gary Langstaff, head of marketing at Hardee's for three years, in mid-May.

Langstaff has assigned Burger King's $215 million advertising account to two new agencies in a move to separate the chain's image advertising from its product advertising. D'Arcy Masius Benton & Bowles will handle Burger King's image, leaving Saatchi & Saatchi new products and promotions.

HARDEE'S $2,733.3MM

Hardee's now offers chicken biscuits for breakfast: Executives say it is the only breakfast sandwich containing no red meat on any burger chain menu. And customers love breakfast at Hardee's to the tune of $900 million a year, or 30% of sales.

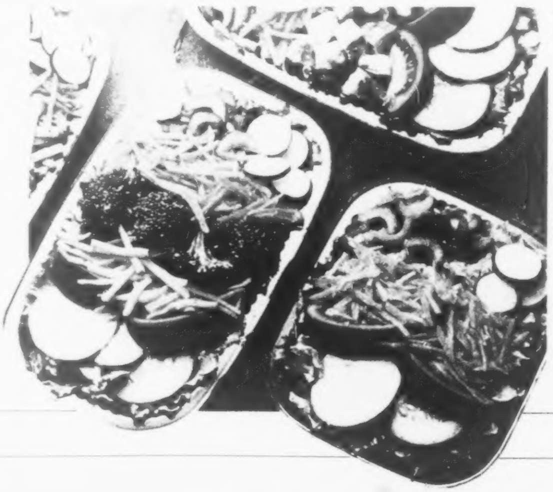
To back up its "We're Still Out to Win You Over" advertising campaign, Hardee's emphasizes snack foods. Chicken Stix—snack-sized morsels served with dipping sauce—soft-serve ice cream and packaged salads (both in limited markets for more than a year) joined the menu in 1988. The Big Deluxe, the chain's signature sandwich, was featured in a major promotion last year, as were California Raisin toys. Hardee's has switched to vegetable shortening for all fried foods.

Like McDonald's, Hardee's hopes for a slice of the pizza business, and is testing three varieties of pizza pockets. Fish chunks, all-beef hot dogs and grilled chicken sandwiches also are in test.

JACK IN THE BOX $755MM

Jack In The Box shows no signs of stopping the menu merry-go-round: Executives say they've rolled out 25 new menu items since 1980.

In 1988, taquitos—taco ingredients wrapped up tight in a taco shell and served with salsa-chicken fajita pitas, Mexican chicken salad and new versions of the chef's salad and taco salad joined the menu. The current best seller is the Grilled Chicken Fillet sandwich, rolled out in February.



Burger King debuts packaged salads in four varieties: roast chicken ($2.69), chef ($2.69), garden ($1.83) and side (99 cents).

400: BURGERS

Jack In The Box has added 25 items to the menu since 1980: The most recent is a breakfast pita.

Jack In The Box's most recent menu addition, the Scrambled Egg Pocket, is a morning edition of its lunch and dinner pita sandwiches. The pockets, priced at $1.85, are stuffed with two scrambled eggs, bacon, ham and cheddar cheese, and join crescent sandwiches as the chain's breakfast mainstays.

CARL'S JR. $480MM

Stock analysts have proclaimed Carl's Jr.'s turnaround complete: Same-store sales were up 2% in February, 6% in March and 3% in April over the same months of 1988. New products and service ideas get credit for the jump in sales.

In 1988, the chain rolled out charbroiled chicken, chef, taco and garden salads, added guacamole bacon cheeseburger to the burger line and introduced Danish breakfast pastries and brownies to its bakery line. Barbecue roast beef and roast beef club sandwiches are in test, as are deep-fried burritos. Limited table service is offered at some restaurants: Customers place their orders at the counter, and a server brings their meals to the table.

DRUTHERS $98MM

Druthers' Deluxe Quarter Burger remains the best seller, says Mike Kull, marketing director. Until Labor Day, Druthers will offer a Big Bucket Chicken Dinner ($9.99) packed in a reusable foam container. This year, the Louisville, Ky.-based chain plans to remodel 20% of its restaurants at a cost of $80,000 per restaurant.

ARCTIC CIRCLE $39MM

Arctic Circle executives, who orchestrated a leveraged buyout from parent company Quaker State last June, couldn't be more excited about the chain's future. "It's been eight years since we've seen growth of any kind," says Gary Roberts, chief executive. "We have every intention of correcting that."

To date, new management has: redesigned the Arctic Circle building to halve the number of seats and encourage takeout business; opened a store in North Ogden, Utah, in January; targeted Oregon, Idaho and Utah for expansion; and added Chicken Fajita Salad ($2.99), Country Fried Steak ($2.29), and Quarter Pound Deluxe burger ($2.49) to the menu. The chicken salad now accounts for 10% of sales. The best seller is the Ranch burger, Arctic Circle's signature item, with 14% of sales. *—L.B.*

LEADING BURGER COMPANIES

10 **THE KRYSTAL CO. (118)**
Sales: $178MM Units: 232

11 **FUDDRUCKERS (141)**
Sales: $141MM Units 117

12 **DRUTHERS INTERNATIONAL (172)**
Sales: $98MM Units: 151

13 **STEAK'N SHAKE (191)**
Sales: $82MM Units: 110

14 **ARCTIC CIRCLE (315)**
Sales: $39MM Units: 100

15 **JACK'S FOOD SYSTEMS (352)**
Sales:$32.5MM Units: 65

16 **IN-N-OUT BURGERS (368)**
Sales: $30MM* Units: 50

17 **BLAKE'S LOTABURGER (382)**
Sales: $28MM Units: 73

18 **BURGERVILLE U.S.A. (395)**
Sales: $25.9MM** Units: 29

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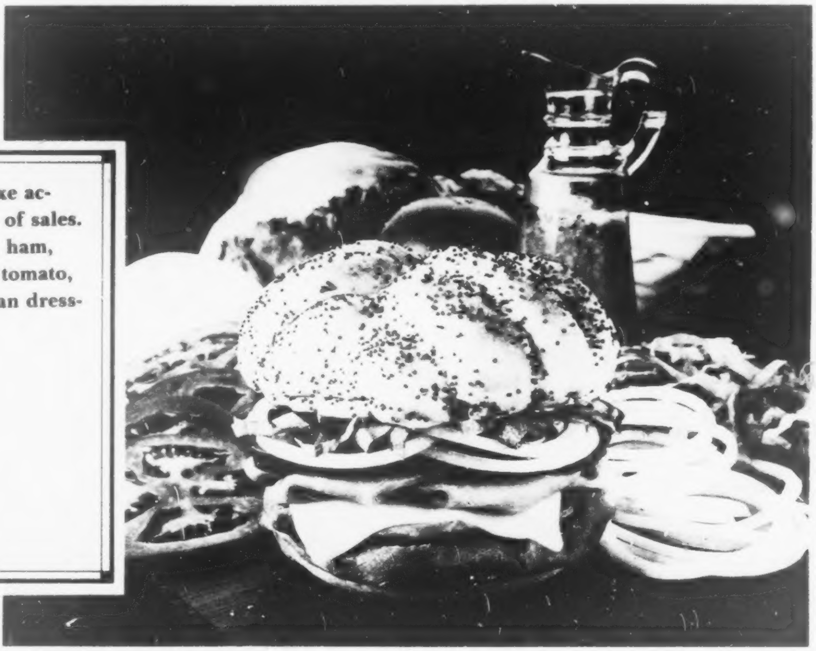
Taquitos—rolled-up tacos served with salsa—joined chicken strips, egg rolls and shrimp on Jack In The Box's finger-foods menu.

400: SANDWICHES



Arby's new Sub Deluxe accounts for 7% to 12% of sales. It features roast beef, ham, Swiss cheese, lettuce, tomato, mayonnaise and Italian dressing on a round roll.

SANDWICHES FILL A FRESH MARKET NICHE

Holding its own with 6.3% of "400" fast-food sales, this segment is putting the emphasis on fresh *and* fast.

As sandwich chains vie for their share of the hamburger-dominated fast-food market, they are grateful for anything that helps define the sandwich segment, even if it comes from a direct competitor. "Frankly, we're happy about all the attention Subway has received," says John Wooley, president of Austin, Texas-based Schlotzsky's. "It's drawing attention to the sandwich segment as a whole, and that's good for us."

In the process of carving their niche, sandwich chains continue to set themselves apart with a variety of positioning ploys. Strategies range from the direct "Taste the Arby's difference" slogan to Schlotzsky's "There is life after fast food" campaign used to recruit young employees by pointing out that they don't have to deal with fried food preparation. The emphasis on fresh, light and healthful pervades the segment. International Blimpie has taken the stance to a new level by offering the Blimpie LITES line of sandwiches and salads, which are under 300 calories.

By their very nature, sandwiches are ideal for takeout, (off-premises dining sales increased 10% in 1988 alone), and sandwich chains are taking a second look at products and unit design to make them more accessible to the consumer on the go. Vie de France implemented the Fast & Fresh concept, Rax is shifting the emphasis from its lunch and dinner bars to concentrate on sandwiches, and several chains are stepping up sales of family packs and kids meals.

ARBY'S **$1,160MM**

The roast beef business is doing fine, if the figures Arby's generated last year are any indication. The Atlanta-based chain, in its 25th year, achieved sales growth of 18% for 1988, two and a half times the fast food industry average of 7%. Len Roberts, chief executive officer and president, cited successful product introductions as one of the major factors contributing to the record-setting sales.

One of the new menu additions,

continued on page 40

400: SANDWICHES

Identities emerge with points of difference: unique breads, specialty items and fuller menus.

continued from page 37

the Sub Deluxe, averages 7% to 12% of restaurant sales, and went from test to the optional menu list this year. Chicken sandwiches have performed well throughout the segment, and Arby's Roast Chicken Club became an optional menu choice for franchisees and company-owned stores. A Reuben and a Corned Beef 'n Swiss sandwich are in currently in test.

In an attempt to capture growing drive-thru business, which accounts for 50% of fast-food sales (according to a company spokesman) Arby's introduced its Fresh Express Salad and Sandwich deal. Customers receive a regular roast beef sandwich and a choice of a pre-wrapped Chef, Cashew Chicken or Garden Salad for $1.99. The promotion will last through the summer.

RAX **$366.7MM****

A new president, new emphasis on sandwiches and new design for the lunch and dinner bars should help Columbus, Ohio-based Rax regain momentum after a dip in same-quarter profits and revenues at the end of 1988. Ira Hermann, former executive vice president and chief operating officer at Arby's, was appointed president of Rax this spring.

Hermann's experience will be called upon as Rax begins its new campaign, which switches the emphasis from the lunch and dinner bars to sandwiches. "We'll continue to market the bars," says Mike Link, vice president, product group, "but our product development efforts will be geared toward our core sandwich line in 1989." New sandwiches in test include a honey-cured ham with honey mustard, a turkey sandwich, (featuring a brand-name turkey), chicken- and tuna-salad pocket sandwiches, and a king-size roast beef selection.

The lunch dinner bars, which serve a mix of hot and cold items, including Mexican and Italian selections in addition to salad fixings, were a major sales producer (30%) for the chain in '87 and early '88. But they have stopped generating the growth the company is looking for, according to company spokespersons. In the hope of improving sales, the company is implementing a bar redesign, which includes a more streamlined look.

INTERNATIONAL BLIMPIE **$110MM**

An experiment is under way at New York-based International Blimpie. Research shows that 71% of the population occasionally diets, and as part of

continued on page 44

LEADING SANDWICH COMPANIES

1 **ARBY'S INC. (19)**
Sales: $1,160MM Units: 2,049

2 **ROY ROGERS (36)**
Sales: $630.2MM* Units: 607

3 **SUBWAY (37)**
Sales: $600MM Units: 2,888

4 **RAX RESTAURANTS INC. (61)**
Sales: $366.7MM** Units: 521

5 **A&W RESTAURANTS INC. (124)**
Sales: $164.5MM Units: 530

6 **INTERNATIONAL BLIMPIE (160)**
Sales: $110MM** Units: 375

7 **WIENERSCHNITZEL (162)**
Sales: $107.6MM* Units: 274*

8 **TOGO'S EATERY (249)**
Sales: $55.5MM Units: 120

continued on page 44

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Schlotzsky's

An array of sandwiches on Schlotzsky's signature bread, soups and salads provide a light alternative to standard fast food.

400: SANDWICHES

Sandwiches have a natural edge in a strong takeout market; brand names emphasize quality.

LEADING SANDWICH COMPANIES

9 CAROUSEL SNACK BARS OF MINNESOTA (262)
Sales: $52MM** Units: 290

10 SCHLOTZSKY'S SANDWICH RESTAURANT (263)
Sales: $52MM Units: 238

11 MAID-RITE PRODUCTS INC. (279)
Sales: $48.5MM Units: 148

12 JERRY'S SYSTEMS INC. (319)
Sales: $38MM** Units: 68

13 LEISERV INC. (334)
Sales: $35.1MM Units: 115

14 NATHAN'S FAMOUS INC. (342)
Sales: $35MM Units: 38

15 SANDWICH CHEF INC. (355)
Sales: $32.5MM Units: 172

16 SUB STATION II (394)
Sales: $26MM Units: 130

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continued from page 40

a long-term effort to expand its menu, the sub-sandwich chain has created the new Blimpie LITES line to draw the health- and diet-conscious consumer into the fast-food setting.

"Rather than going the way of hamburgers, hot dogs, or fried foods, we're taking advantage of the niche we've established for fresh, healthy foods," says Anthony Conza, chief executive and president of the 375-unit chain. The new line includes salads—tuna, seafood and crab, chicken, turkey, and tova fish (a new seafood item with the consistency of tuna and a light flavor enhanced with garlic and herbs)—that are served alone or in pita pockets.

The line was introduced for test in Blimpie's 70 Georgia units (the chain's strongest market) in June.

CAROUSEL $52MM

A master franchise agreement signed in February '89 with A&W Restaurants, Livonia, Mich., gives Carousel the go-ahead to make and advertise the company's well-known root beer on premises. In the 20 units already converted under the A&W agreement, sales have increased by 19%. The Minneapolis hot dog chain plans to convert another 200 Carousel units over the next two years.

Carousel is implementing its own new motto as well. Positioning itself as America's Hot Dog Experts, the chain is currently developing a proprietary "flagship" hot dog item. At this time, best sellers include the Bacon Cheese Dog, the Western Style Dog with chili, onions and peppers, an Italian Style Pepperoni Dog, and Mini hot dogs that are popular with children.

SCHLOTZSKY'S $52MM

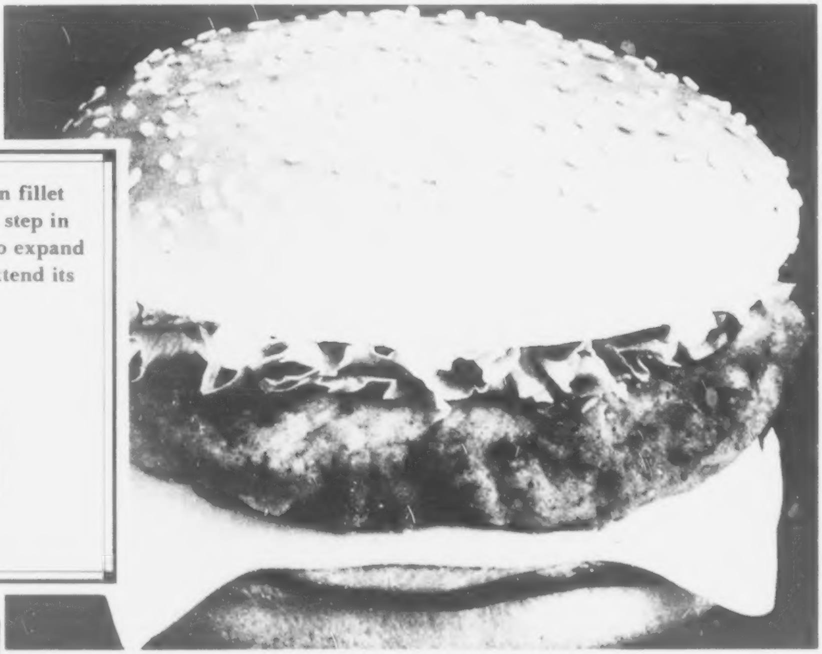
The creator of the "Original Sandwich" introduced several winners to its menu lineup in 1988. The Austin, Texas-based chain increased sales of its turkey sandwich ($3.09) from 8% to 16% of total by switching to (and advertising the use of) a well-known consumer brand of turkey. The Italian Sub was served hot and cold in test, and both styles performed well.

In contrast, a venture into pizza made on the chain's signature bread has not met sales expectations; the item is served in only 10% of the stores.

In what President John Wooley describes as "a natural expansion," Schlotzsky's is testing a line of takeout baked goods, including muffins, brownies and cookies to take advantage of the market. ***—Beth Gotschall***

Carousel units will soon tout the A&W logo. The chain is licensed to make and serve the famous root beer and sales have increased 19% in converted units.

400: CHICKEN



KFC's full-size chicken fillet sandwich is one more step in the company's move to expand lunch business and extend its customer base.

CHAINS PECK AT NON-CHICKEN COMPETITORS

Chains add chicken sandwiches, grilled and roast chicken, and barbecued ribs to fight burger-chain invasion.

Chicken chains are working hard to keep their hold on the chicken market as they struggle to answer the question: What do chicken chains do when everyone else is serving their product? The solution many chains have tried is the chicken sandwich—a menu item that brings many chicken chains into the lunch business, head to head with non-chicken competitors.

Kentucky Fried Chicken has developed a full-sized chicken fillet sandwich. Last year, Kentucky Fried Chicken made its entree into lunch with Chicken Littles, 1-ounce sandwiches geared to a grazing crowd. While KFC saw this introduction as a method to expand its market, sales were disappointing.

The successful example of the El Pollo Loco chain's non-fried chicken menu, plus a perception that patrons want a low-fat chicken choice, has led many chicken chains to try roasted, grilled and baked chicken items. KFC which has been testing of oven-roasted chicken for several years, is now testing a grilled chicken selection that is attracting new customers in the test units. Chick-fil-A is testing a salad topped with sliced chargrilled chicken, as well as a chargrilled chicken breast sandwich. Mrs. Winner's, which already has introduced successfully a baked chicken item, plans to put roast chicken in most stores by the end of the year.

Some chains are copying burger chains by diversifying their menus with non-chicken items. Grandy's and Mrs. Winner's already have expanded their menus to include a variety of items and are continuing menu expansion. Grandy's is testing fried catfish, and Mrs. Winner's is adding to its Southern Originals line of entrees. Both Lee's and Sisters have tested barbecue ribs with success.

In light of the recent acquisition of Church's by Popeyes, competition might become stiffer for struggling chains such as Bojangles' and Sisters. It is clear that without menu evolution, chicken chains will continue

400: CHICKEN

Chicken chains continue to add low-fat chicken items in an effort to expand their customer base.

LEADING CHICKEN COMPANIES

1 **KENTUCKY FRIED CHICKEN (3)**
Sales: $5,000MM Units: 7,761

2 **CHURCH'S CHICKEN INC. (41)**
Sales: $559.3MM Units: 1,481

3 **POPEYES FAMOUS FRIED CHICKEN (44)**
Sales: $485MM Units: 715

4 **CHICK-FIL-A (94)**
Sales: $232.9MM Units: 390

5 **GRANDY'S (115)**
Sales: $184MM Units: 206

continued on page 58

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to suffer from the burger-chain invasion. The big chains are constantly expanding their menus and improving existing products. Many of the smaller chains rely on regional loyalty and specialty offerings.

KENTUCKY FRIED CHICKEN $5,000MM

KFC is expanding its menu to attract new customers and encourage current customers who want variety to patronize its restaurants more often. While testing of a roasted chicken was fairly successful, the company found that chargrilled chicken was an even better-received product. "Tests of the lower-fat menu item so far has proven successful in attracting new customers," according to a spokesman. "We aren't so much adding menu items to keep our loyal customers, but to bring in those who don't eat fried foods and to encourage the current clientele to come in more often," says Gregg Reynolds, vice president of public affairs for KFC.

The top chicken chain continues to take a leadership role, making changes in a lunch program that has been slowly evolving for more than a decade. Now in development is a larger sandwich for patrons who want a full-sized sandwich. Chicken Littles, introduced last year, helped to change customers' perception of KFC as a restaurant primarily for dinner.

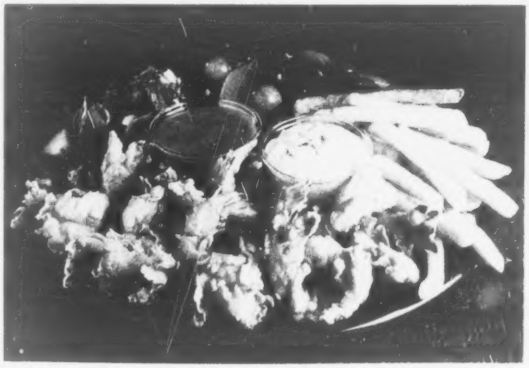
One major focus has been to streamline operations, and thus lower costs, through technological improvements. Computer-controlled fryers, which use less cooking oil than traditional units, were installed throughout the system.

POPEYES $485MM
CHURCH'S $559.3MM

Popeyes' strategy for combatting burger-chain invasion is to add seafood items. Although the company already has its own niche, emphasizing spicy Cajun chicken selections served with red beans and rice, the 1988 introduction of batter-fried crawfish served with salad serves to define Popeyes' ethnic image even more. The crawfish platter is selling very well in the Southern markets. This year's new seafood item is a butterflied shrimp platter.

Popeyes also differentiates itself from other fast-food chicken chains by heavily promoting its higher-priced items and encouraging customers to eat in. Now, with Church's in the Copeland family, menus from the two chains are likely to blur. For example, one of the first changes made on Church's menu may be a change from

continued on page 58



Popeyes' introduction of seafood entrees helps distinguish it from other chicken chains.

400: CHICKEN

LEADING CHICKEN COMPANIES

6 **LEE'S FAMOUS RECIPE CHICKEN (139)**
Sales: $142.4MM Units: 282

7 **EL POLLO LOCO (154)**
Sales: $124MM Units: 160

8 **BROWN'S CHICKEN (163)**
Sales: $105MM Units: 158

9 **BOJANGLES' CORP. (167)**
Sales: $102MM** Units: 61

10 **MRS. WINNER'S CHICKEN (202)**
Sales: $78.1MM* Units: 169

11 **PIONEER TAKE OUT CORP. (231)**
Sales: $65MM Units: 202

12 **SISTERS CHICKEN & BISCUITS (292)**
Sales: $44MM Units: 58

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Companies are searching for unique niches to prevent menu blur among competing chicken chains.

continued from page 52

rolls to biscuits. Owner Al Copeland is taking a personal hand in revamping Church's menu to make its product quality more consistent.

Popeyes' focus on monthly event-oriented promotions might also become part of Church's new marketing strategy, which before the takeover consisted mostly of couponing.

CHICK-FIL-A **$232.9MM**

Chick-fil-A always has had a different profile than other chicken chains. Since the majority of the company's units are in malls, its main competition is not other chicken restaurants, but other mall restaurants. Unlike other chains, which serve mostly bone-in chicken, Chick-fil-A started with a boneless chicken-fillet sandwich geared to a lunch crowd.

Chick-fil-A's two new menu items, scheduled for full rollout by midsummer, are both lower-fat products. A chargrilled chicken sandwich, served with tomatoes and lettuce on a plain bun, and a chargrilled chicken garden salad—sliced grilled chicken served over lettuce, tomatoes, celery and carrots, are targeted at customers desiring lighter entrees.

Chick-fil-A is one of the only chicken chains in the breakfast business, selling chicken biscuits and cinnamon rolls. Signature items, which include Waffle Potato Fries, freshly squeezed lemonade and lemon pie for dessert, also help to give this chain its unique identity.

The development of free-standing restaurants outside its traditional mall setting is a big growth vehicle for the company. In 1988 the tenth free-standing restaurant was opened in Atlanta. The first free-standing restaurant outside of the Atlanta market, in Birmingham, Ala., is planned for 1989.

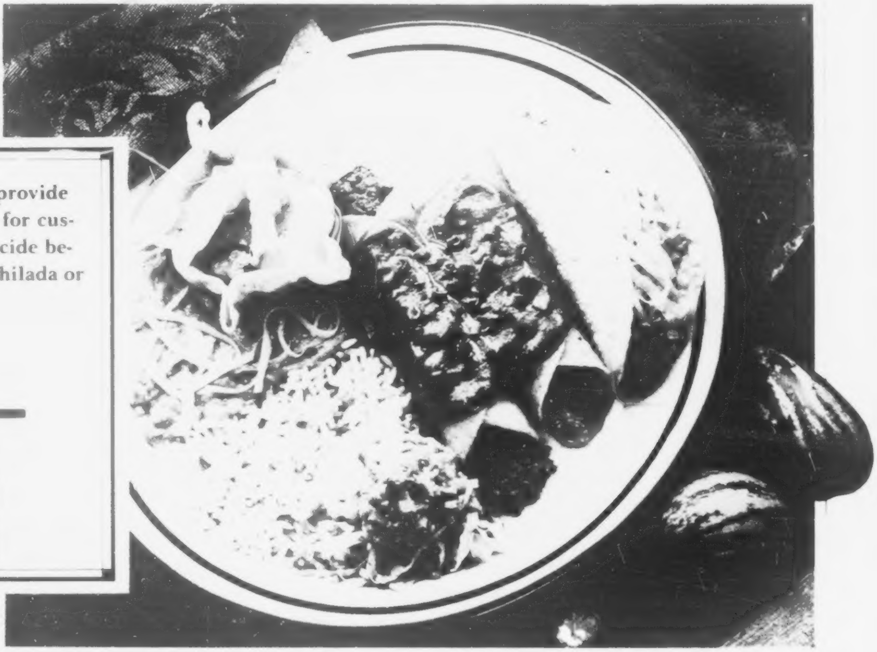
LEE'S FAMOUS RECIPE **$142.4MM**

In 1988, Lee's took a step out of the chicken arena and introduced barbecued ribs in Montgomery, Ala., and Jacksonville, Fla. This year, the company plans to offer ribs in the remaining company markets. The ribs could be another example of foresight—Lee's also struck early four years ago when it realized the potential of a non-fried chicken alternative and introduced a roasted chicken product.

Drive-thru windows, which are new for the company, and a new "farmhouse" building design are part of an image update in progress at Lee's. Seventy percent of units have been redesigned, and the goal is to reach 75% by the end of 1989. —***Nancy Backas***

Lee's tested barbecued ribs in an attempt to diversify its menu.

400: MEXICAN



Platter combinations provide grazing opportunities for customers who cannot decide between ordering an enchilada or a tostada.

HOT MEXICAN MARKET SPARKS CLEVER TACTICS

Chains, for instance, rename old favorites to create signature items and build brand awareness.

To restaurant patrons not familiar with Mexican food, the first few visits to a Mexican restaurant can be a little confusing, and justifiably so. Ingredients and preparation methods of tacos, tostadas, burritos and enchiladas vary only slightly. Mexican chains, both full service and quick service, are trying to solve this problem—and create brand identification—by making up their own names for Mexican staples.

Chi-Chi's, for instance, offers Chajitas—sizzling steak or chicken wrapped up in tortillas—better known as fajitas. El Torito calls them Tachitas. Two Pesos offers customers a Peso Queso, a cross between a *quesadilla* and a stuffed Mexican pepper. Garcia's goes one step further with a regional angle, calling its entire menu "Sonoran," after Mexico's state of Sonora. Chain executives say they hope combination platters will help allay customer confusion. Instead of having to decide between burritos and tostadas, customers can order one entree that includes both.

On other menu fronts, Mexican chains are turning attention away from entrees and toward side dishes and salads. Mexican rice, prepared in a savory broth and mixed with an assortment of vegetables, joined the menu at Taco Bueno and is in test at Taco John's. Fajita salads, a variation of fajitas, last year's hottest new Mexican menu item, debuted at Taco Time and Taco Bueno, and Garcia's is testing a chicken fajita salad. Acapulco Restaurants President Phil Ratner reports a growing interest in both salads and seafood. Indeed, seafood has replaced chicken as the hot new filling for entrees. Casa Ole is pushing seafood chimichangas, and Two Pesos offers shrimp fajitas.

TACO BELL **$1,630MM**

Taco Bell's major priority is to make Mexican fast food more visible and to enhance its image within local communities, particularly in the Midwest and Southeast, where Mexican food has not gained widespread

continued on page 68

400: MEXICAN

Seafood chimichangas and shrimp fajitas are part of the Mexican segment's interest in lighter fare.

continued from page 65

appeal. One way to do that is via new products and product promotions, for example, the chain's long-running 49-cent taco promotion. Taco Bell's best-selling item remains the hard-shell taco, more than two million of which are sold every day.

This past year, Taco Bell debuted chicken fajitas and the Mexi Melt, its own version of a *quesadilla*, and substituted corn oil for lard in all recipes.

CHI-CHI'S **$422.9MM**

Chi-Chi's, now under the umbrella of San Diego-based Foodmaker, has stepped up efforts to develop and deliver an even higher quality product than previously. Current best sellers are the special dinners and "Chajitas," Chi-Chi's name for fajitas. Last year, Chi-Chi's introduced a buffet and a line of luncheon specials.

EL TORITO **$390MM**

The winning items continue to be chicken and shrimp fajitas, as well as fajita combination plates. Last year, the chain introduced a line of Southwestern-flavored menu items that include blue-corn tortillas, enchiladas, and Tachitas, El Torito's name for fajitas. The company is offering a special seasonal menu this summer.

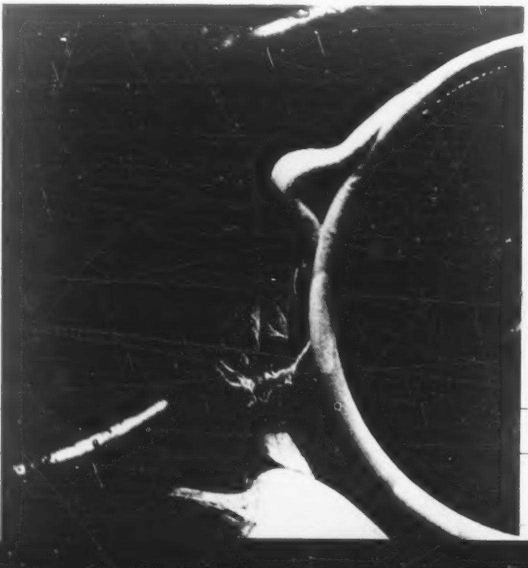
El Torito operates 15 different restaurant concepts, including 25 Casa Gallardos and 14 Casa Marias. The menu in all stores basically is the same. Some items, for instance, steak fajitas, sell better on the East Coast, says El Torito President Mike Casey.

DEL TACO **$226.9MM**

Since the merger of Del Taco and Naugles last year, the company has made menu changes that blend the best of both chains. Del Taco has increased the portions and added fresh guacamole to Naugles' original salad line. The company also changed the recipes of Naugles' burritos and increased the portion sizes. Among last year's successful menu introductions was a variety of *quesadillas*, including cheese, steak, and chicken.

TACO JOHN INTERNATIONAL **$116MM**

Hard- and soft-shell tacos account for the bulk of Taco John's sales. However, one of the company's top priorities is expanding its new line of chicken entrees, which now includes soft- and hard-shell chicken tacos, chicken burritos smothered with green-chili sauce and chicken taco salads. Currently in test are Mexican-style rice and a dinner program.



Acapulco Restaurants' steak fajitas are the chain's best sellers: Many chains are expanding their fajita lines to incude chicken, seafood and fajita salads.

LEADING MEXICAN COMPANIES

1 **TACO BELL (12)**
Sales: $1,630MM Units: 2,390

2 **CHI-CHI'S INC. (51)**
Sales: $422.9MM Units: 192

3 **EL TORITO (53)**
Sales: $390MM Units: 179

4 **DEL TACO (96)**
Sales: $226.9MM* Units: 370

5 **TACO JOHN INTERNATIONAL (157)**
Sales: $116MM Units: 439

6 **EL CHICO (159)**
Sales: $110MM Units: 98

7 **TACO TIME (187)**
Sales: $85MM Units: 292

8 **TACO VILLA (197)**
Sales: 80.3MM Units: 147

9 **TACO BUENO (210)**
Sales: $74MM* Units: 120

continued on page 70

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. *R&I* estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

400: MEXICAN

LEADING MEXICAN COMPANIES

10 GARCIA' S MEXICAN RESTAURANTS (227)
Sales: $67MM Units: 44

11 ACAPULCO MEXICAN RESTAURANTS (232)
Sales: $64MM Units: 41

12 PANCHO'S MEXICAN BUFFET (234)
Sales: $61.9MM Units: 65

13 RED ONION (288)
Sales: $45MM Units: 13

14 TWO PESOS MEXICAN CAFES (304)
Sales: $40.3MM Units: 30

15 CARLOS MURPHY'S (317)
Sales: $39MM Units: 19

16 CASA OLÉ (329)
Sales: $37MM Units: 35

17 TACO TICO (331)
Sales: $36MM Units: 115

18 PEPE'S INC. (378)
Sales: $28MM Units: 65

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Last year's chicken and beef fajitas have become this year's newest Mexican salads.

TACO BUENO **$74MM**

While tacos and burritos still represent 15% to 20% of sales, other menu items are expected to make a major impact before long. A line of combination platters, for instance, has been reformulated to include Mexican rice as a regular side dish alongside beans and guacamole. Chicken fajita salads and chicken fajita nachos also debuted this year.

GARCIA'S **$67MM**

The Arizona chain's "Sonoran" cuisine includes its top sellers, fajitas and *pollo fundido*—seasoned chicken topped with melted Jack cheese, folded into a tortilla and deep fried. About to debut is a seafood *fundido* with crab, shrimp, seafood and cream cheese.

Another big hit: *quesadilla* with jalapeño-flavored cheese, spinach, onions, and tomatoes. Currently in test are fajita salads, grilled-chicken salads, and a number of combination platters (because they account for 20% of sales).

ACAPULCO RESTAURANTS **$64MM**

Fajitas are the runaway favorites at Acapulco. However, the chain definitely is looking into lighter fare. Recent additions to the company's dessert line include a cherry burrito and a lemon-and-lime-flavored "Squeeze Cake," named for the squeeze of lime juice that tops it.

Acapulco also is moving toward more authenticity in the beverage area. For example, the chain is switching to margaritas on the rocks, which it says are more Mexican than sweet, blended margaritas.

RED ONION **$45MM**

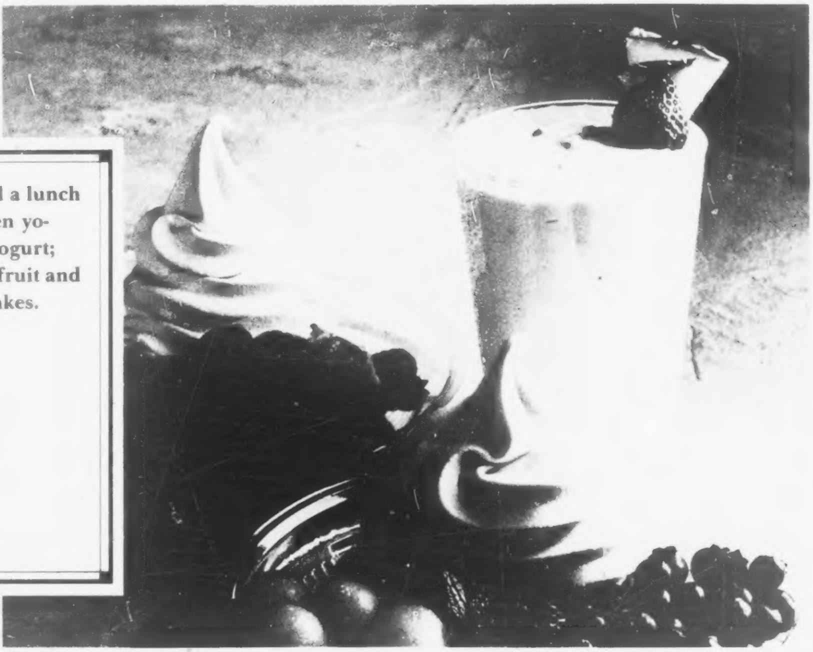
This summer, Red Onion is offering customers a new menu that highlights foods from all over Mexico. The chain now uses canola oil for cooking and frying, in keeping with the trend toward more healthful eating habits. Among new appetizer offerings are the *quesadilla* natural, made with whole-wheat tortilla and grilled vegetables, and a Great Mexican Sampler.

Other brand-new items include a black-bean soup, a Mexican Club and a Fajita Philly sandwich made with steak or chicken, peppers, onion rings, tomato, melted Cheddar cheese and tomato. Also new is a triple enchilada plate consisting of one spinach, one cheese and one chicken enchilada; a plate that combines several miniature tacos and an enchilada; and taco combination platters.

—Barbara Magan Dawson

***Quesadillas*, crisp tortillas filled with melted cheese, are a favorite among Taco Bueno's patrons.**

400: SWEETS



Häagen-Dazs launched a lunch program with its frozen yogurt: fresh fruit and yogurt; Belgian waffles, fresh fruit and yogurt; and yogurt shakes.

SWEET SUCCESS COMES WITH VARIED MENU

New low-fat and no-fat frozen desserts, oat-bran products and non-sweet menu additions help chains stay on top.

America definitely has a sweet tooth. Premium ice cream stores and cinnamon-bun chains, in particular, are reaping the rewards of a sugar-hungry population. But while people still clamor for sweet foods, they do not necessarily want them to be high in fat. This creates a perfect scenario for the introduction of low-fat yogurt products and a whole variety of baked oat products.

The light frozen dairy dessert category is growing rapidly. This year, five chains added or tested a low-fat or no-fat product. The premium of premium ice cream chains, Häagen-Dazs, added a gourmet frozen-yogurt line in 1988. The company launched a new lunch program featuring fresh fruit combinations with low-fat yogurt in March to tap even further into low-fat yogurt potential.

Other chains also have added a low-fat yogurt. Des Plaines, Ill.-based Bresler's added a light yogurt, as did Carvel Corp. Two yogurt chains, I Can't Believe It's Yogurt and TCBY, added non-fat yogurt products. Baskin-Robbins recently introduced a sugar-free frozen dairy dessert called Low, Lite 'n Luscious.

Cookie, doughnut and cinnamon-bun chains are finding it hard to keep sales up with only one product. With the recent oat-bran mania, some chains added a baked oat product. Both Dunkin' Donuts and Mister Donut added oat-bran muffins. Mrs. Fields' President Randy Fields has a special affinity for oat products and added a whole line of oat-bran treats baked ready to eat in both the cookie stores and in the La Petite Boulangerie bakeries. The line includes a muffin, bagel, dinner roll, bread loaf and a cookie.

Some chains have expanded offerings outside the sweets arena. Braum Ice Cream Stores and Fosters Freeze both added pre-made salads. Fosters Freeze also added sandwiches.

Everything Yogurt is the leader in marketing itself as more than a yogurt chain. The menu includes salads, sandwiches and quiche in addi-

continued on page 78

400: SWEETS

The light frozen dairy dessert category has grown from 12% of new products to 25% in just two years.

LEADING SWEETS COMPANIES

1 DAIRY QUEEN (11)
Sales: $2,067MM Units: 5,122

2 DUNKIN' DONUTS (28)
Sales: $777.8MM Units: 1,767

3 BASKIN-ROBBINS ICE CREAM (35)
Sales: $692.7MM Units: 3,386

4 CARVEL (88)
Sales: $243.8MM* Units: 750

5 MISTER DONUT (98)
Sales: $226MM Units: 780

6 TCBY (103)
Sales: $210MM Units: 1,175

7 MRS. FIELDS' COOKIES (126)
Sales: $160MM Units: 650

8 TASTEE FREEZ (133)
Sales: $151.2MM Units: 512

9 WINCHELL'S DONUT HOUSE (137)
Sales: $144MM Units: 668

10 BRAUM ICE CREAM AND DAIRY STORES (145)
Sales: $134.9MM* Units: 215

11 ORANGE JULIUS (153)
Sales: $125MM Units: 709

continued on page 80

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continued from page 73

tion to low-fat and non-fat yogurt. Last year, a new brown-rice entree with vegetables was also added.

Super-sweet and high-butterfat products are hardly on the way out, and succeeding best in this arena are the super-premium and novelty products. Häagen Dazs is adding a super-premium soft ice cream and four new "Deep Chocolate" flavors; Dunkin' Donuts is adding Dunkin's Dippers, cinnamon rolls and chunky cookies; and T.J. Cinnamons is testing apple-almond rolls and "Cinnastrudel."

DUNKIN' DONUTS $777.8MM

The top doughnut chain is experiencing much slower growth than in the recent past. Introduction of new products, opening of kitchenless satellite stores and selling in 7-Eleven stores are three attempts to pump up more business. Another move will expand the Dunkin' Donuts name without spending a penny: The company recently granted Ralston Purina license to manufacture Dunkin' Donuts cereal—three shapes—doughnuts, doughnut holes and twists—in a cereal box featuring Fred the Baker, star of the chain's TV commercials.

Two new products, oat-bran muffins and orange juice, are geared to a more health-concious crowd. The company is now testing Dunkin' Dippers, crescent-shaped doughnuts that come with six flavored dipping sauces, including old-fashioned strawberry, apple cinnamon and mandarin orange.

The company also is testing cinnamon rolls and Dunkin' Chunks cookies.

BASKIN-ROBBINS ICE CREAM $692.7MM

Sundae bars—premium ice cream double-dipped in chocolate—were a hit for Baskin-Robbins in 1988. Non-fat yogurt and soft-serve sorbet also proved successful introductions for customers seeking lighter choices.

The latest systemwide rollout attracts not only the fitness crowd, but also diabetics. Low, Lite and Luscious, introduced in April, is sweetened with aspartame and is 97% fat-free. The new sugar-free frozen dairy dessert is available in three flavors: Jamoca Swiss Almond, Chocolate Chip and Strawberry, and more flavors are on the way.

TCBY $210MM

While TCBY's mainstay is frozen yogurt, the company has been creative in coming up with new products that expand its menu without adding a whole new category.

TCBY added two new flavors, straw-

I Can't Believe It's Yogurt added gourmet frozen-yogurt pies to expand its product line.

400: SWEETS

Super-premium novelty products such as ice cream bars expand many chains' visibility.

LEADING SWEETS COMPANIES

12 **FOSTERS FREEZE (173)**
Sales: $95MM Units: 200

13 **HAAGEN-DAZS (220)**
Sales: $69MM** Units: 315

14 **GREAT AMERICAN CHOCOLATE CHIP COOKIES (239)**
Sales: $60MM* Units: 300**

15 **DAVID'S COOKIES (250)**
Sales: 55.5MM* Units: 375*

16 **T.J. CINNAMONS (269)**
Sales: $51MM Units: 229

17 **ORIGINAL COOKIE CO. (276)**
Sales: $50MM Units: 248

18 **HOT SAM PRETZELS (298)**
Sales: $42MM Units: 300

19 **I CAN'T BELIEVE IT'S YOGURT (308)**
Sales: $40MM Units: 228

20 **BRESLER'S (318)**
Sales: $38MM** Units: 340

21 **PENGUIN'S FROZEN YOGURT (320)**
Sales: $38MM Units: 125

22 **CINNABON (400)**
Sales: $25MM Units: 100

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berry and cinnamon, to its signature waffle-cone line. Topping-bar offerings were expanded to include new items such as crumbled cobbler and crumbled brownies. The line of Winter Warmer products, introduced last year, had three new entries—Hot Fudge Brownie Sundae, a Bananas Foster Sundae and a Hot Belgian Waffle Sundae—for the 1988-1989 winter.

A new non-fat frozen-yogurt line, called Shiver, was added. The six flavors, including macadamia nut and strawberry, were introduced in January after several months in research-and-development labs. Shiver will be available in all company-owned stores and will be an option for franchisees. TCBY is currently testing frozen yogurt cakes.

HÄAGEN-DAZS $69MM

Häagen-Dazs led the way in innovations last year. The gourmet frozen-yogurt line now accounts for 12% to 15% of sales in many markets, especially on the West Coast. The company launched a lunch program that includes seasonal fresh fruit and yogurt plates, Belgian waffles with fresh fruit and yogurt, and yogurt fruit shakes. (To avoid confusion with its premium ice cream, the yogurt does not carry the Haagen Dazs logo.)

Haagen-Dazs also will roll out soft premium ice cream in 20 stores. It is touted as the first luxury soft ice cream with 16% butterfat in two flavors, vanilla and Belgian Chocolate. The opening of separate ice cream shops that serve only premium soft ice cream also is planned.

Other additions in 1988 included four new Deep Chocolate flavors, and decorated ice cream cakes and pies in coffee-chip, chocolate-mint and raspberry-cream swirl flavors.

New Haagen-Dazs Snack Bars, a candy bar-size novelty ice cream bar, were introduced in the spring. The bars, which come in four flavors, Deep Chocolate Peanut Butter Ice Cream, Deep Chocolate Fudge Ice Cream, Vanilla Ice Cream with Milk Chocolate, and Vanilla Ice Cream with Semi-Sweet Chocolate, extend the company's grocery and convenience store line.

Participating ice cream shops will feature "create your own" snack bars along the same lines as the bars sold in groceries and convenience stores. The difference is that patrons will be allowed to choose toppings such as a glaze of caramel sauce or chopped fruits and candies. —*N.B.*

Cinnamon
CINNABON

Cinnabon introduced smaller cinnamon buns in an effort to appeal to a wider clientele.

400: SEAFOOD

Shrimp remains the most popular item served in seafood restaurants today, and Red Lobster cashed in for eight weeks in late 1988 by promoting its "Shrimp Spectacular."

SEAWORTHY SEGMENT FRESHENS UP ITS ACT

Fresh fish entrees continue to grow in popularity, as operators benefit from consumers' interest in nutrition.

Expansion of aquaculture products, concerns about seafood safety concerns and demand for nutritious items on menus have led to a number of noteworthy developments in the seafood segment.

Because of the boom in aquaculture products such as shrimp, catfish, trout, salmon, mussels, clams and oysters, operators are broadening their menus to include items that previously were unaffordable.

Major media stories focusing on seafood safety and quality are affecting the marketplace as well. Operators are paying more attention to where their products are coming from, and must make sure their suppliers are quality conscious.

Cahners Bureau of Foodservice Research reports that between 1987 and 1988, consumer preference for broiled seafood rose 34%. And chefs continue to stress lighter preparation techniques such as grilling.

In August, the National Fish and Seafood Promotional Council program will debut a 16-month, $6 million consumer-magazine and television advertising program. The message to consumers, based on health convenience and taste, is simple: Eat fish and seafood twice a week.

RED LOBSTER U.S.A $1,300MM

Nothing flashy is in the works for the industry's largest seafood chain, just concentration on service, product quality and value.

While shrimp, crab and lobster continue as menu mainstays, Red Lobster customers are increasing their consumption of fresh fish.

The introduction of Sizzlin' Shrimp and Grilled Shrimp at lunch has been well received. Red Lobster also claims to be the first chain to promote Dungeness crabs. "The Great Crab Harvest" was the most successful fall promotion that the chain has had in four years because it provided consumers with excellent price value.

LONG JOHN SILVER'S $765.3MM

Because of the introduction of a less expensive Alaskan whiting fish prod-

continued on page 90

400: SEAFOOD

LEADING SEAFOOD COMPANIES

1 **RED LOBSTER (16)**
Sales: $1,300MM Units: 512

2 **LONG JOHN SILVER'S SEAFOOD SHOPPES (30)**
Sales: $765.3MM Units: 1,478

3 **CAPTAIN D'S (57)**
Sales: $374.3MM Units: 588

4 **PARAGON SPECIALTY RESTAURANTS (119)**
Sales: $177MM Units: 85

5 **SKIPPER'S INC. (176)**
Sales: $93MM Units: 214

6 **TRANS/PACIFIC RESTAURANTS INC. (182)**
Sales: $90MM Units: 54

7 **C.A. MUER CORP. (224)**
Sales: $68MM Units: 19

8 **RUSTY PELICAN (244)**
Sales: $58MM Units: 21

continued on page 98

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The success of Red Lobster's "Great Crab Harvest" hinged on consumers' price-value perception.

continued from page 85

duct in March. Long John Silver's has been able to increase portion size, improve perceived price-value relationship and build customer counts. Long John Silver's new non-fried "Homestyle Fish" entree is exceeding sales expectations, and its sales rival those of best selling products such as the seafood platter, which is deep-fried in vegetable oil.

Bob McDevitt, senior vice president of marketing, says the chain plans to make a big deal of its 20th anniversary this summer. Part of this marketing will involve Long John Silver's sponsorship of Turner Entertainment's remake of the movie, "Treasure Island." To promote the movie and the chain's anniversary, Long John Silver's is sponsoring a whistle stop maritime tour on the original three-masted schooner, the Bounty. The tour will kick off in July in Boston and make numerous promotional port stops as it heads toward the Great Lakes.

SKIPPER'S INC. $93MM

The West Coast's largest fast-service seafood chain has introduced a thicker cut of cod at a higher price.

A limited-time salmon promotion entitled "Manager's Special" has helped build sales. Three different salmon combinations include the "Seafood Harvest," which combines fish fillet, shrimp, clam strips and salmon fillet strips with french fries and coleslaw. The chain also is building sales with a combination using scallops.

"Lite Meals," a small green salad with chicken and/or fish, has been testing with success in several markets.

TRANS PACIFIC RESTAURANTS $90MM

One of this company's concepts, Monterey Bay Canners, added prime rib to its menu starting this past holiday season to add diversification and complement its shellfish offerings.

The Monterey Bay Canners menu design, complete with commissioned watercolor illustrations, has been altered to emphasize what has become the chain's best seller—fresh fish. Anywhere from 12 to 20 fresh species are made available on the center panel.

While mesquite grilling is still the most popular preparation technique, deep-frying, sauteeing and grilling have been added. Among items prepared in an alternative way, deep-fried shrimp is going over very well.

LEGAL SEA FOODS $53MM

Maintaining precise procedures to assure quality is top of mind with owner

continued on page 98

Long John Silver's new Homestyle fish entree has exceeded sales expectations, rivaling sales of the chain's best-selling products.

400: SEAFOOD

LEADING SEAFOOD COMPANIES

9 **SEA GALLEY STORES INC. (261)**
Sales: $52MM Units: 45

10 **LEGAL SEA FOODS INC. (265)**
Sales: $52MM Units: 6

11 **L&N SEAFOOD GRILL (310)**
Sales: $40MM Units: 20

12 **PHILLIPS SEAFOOD RESTAURANTS (311)**
Sales: $39.8MM Units: 7

13 **ARTHUR TREACHER'S INC. (335)**
Sales: $35MM** Units: 94

14 **THE ORIGINAL SEAFOOD SHANTYS (340)**
Sales: $35MM Units: 13

15 **RUSTY SCUPPER (357)**
Sales: $32.4MM* Units: [illegible]8

16 **WEATHERVANE SEAFOOD RESTAURANTS (397)**
Sales: $25.6MM Units: 14

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Phillips Seafood Restaurants has added a daily flier to its menu to encourage patrons to experiment.

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George Berkowitz. He plans to promote the fact that a certified sanitarian is part of the kitchen staff.

Also, the lunch menu was expanded and now includes a new crab-cake recipe, curried seafood, and a hot and spicy shrimp *fra diavolo* with a thick tomato sauce. Cajun and blackened entrees also remain popular. Swordfish, tuna and clam pizzas are now available, as is a seafood entree wrapped and cooked in parchment.

A fish and vegetable entree steamed and opened at the table will be added to the menu this year.

PHILLIPS **$39.8MM**

Phillips is moving away from its crab tradition and is promoting more fish entrees, as can be seen in a menu shift that moves fish to the top. Successful menu items added by the Ocean City, Md.-based company include a fillet of flounder, as well as blackened and broiled items such as swordfish, tuna and snapper.

A daily flier of specials has been attached to the menu to attract patrons' attention and encourage them to experiment with new species.

ARTHUR TREACHER'S **$35MM**

The chicken tenderloin sandwich added to the menu in 1988 has turned into a strong seller. A baked-chicken sandwich and a seafood salad are scheduled for rollout this year.

A promotion touting crisp, breaded fish has helped the chain generate a 6% increase in customer counts. Sales of the product continue to hold up.

Five new units were scheduled to open this spring. New mall units take on a modern look with marble, neon signs and ceramic tiles.

RUSTY SCUPPER **$32.4MM**

Since Stouffer Restaurant Co. acquired the chain in late 1987, it has refurbished and updated every unit and is concentrating on fine-tuning menus.

A daily specials page allows each unit to feature regional or fresh-from-the-market seafood entrees.

A "Good For You" section also has been added to the menu. Entrees such as Vermicelli with Scallops, Pepper Jelly Chicken, Grilled Fresh Mahi Mahi with Pineapple Salsa, and Grilled Chicken Santa Fe are prepared with fresh ingredients and seasoned with garden herbs and spices. They are listed with calorie, cholesterol, sodium, total fat and protein counts to give customers the opportunity to monitor their diets.

—*Jeff Weinstein*

The Phillips family of Phillips Seafood Restaurants in Ocean City, Md., shows off an assortment of fresh seafood.

400: PIZZA/ITALIAN

Valentino's and other regional chains defect from the pizza-discount wars by offering alternatives such as extensive Italian buffets.

BIG PIZZA CHAINS TRY FOR MORE OF THE PIE

Segment giants attempt to beat competitors at their own games, but some small players switch rather than fight.

Call it pepperoni *perestroika*. This was the year each of the pizza industry superpowers—Pizza Hut, Domino's and Little Caesars—decided its competitors were doing a few things right after all. They began to tinker with once firm market niches: Each now offers meal deals and pan pizza, two have in-store seating and full service, two deliver to homes and offices, and one is branching out into institutional accounts. In short, pizza's Big Three are looking more alike than ever.

PIZZA HUT **$3.390MM**

The top chain in the field aims to be "a total pizza distributor," says Tim Pulido, vice president of new concepts for Pizza Hut. "We have the product. Now it's a matter of finding new ways to bring it to the consumer." The company will use its tremendous size and the resources of parent PepsiCo to build the same presence in non-traditional markets like takeout, food courts, home delivery and institutions that it now enjoys in sit-down pizza dining. Pizza Hut offers restaurant-based delivery in 1,300 restaurants now and maintains 800 delivery-only kitchens; the chain hopes to increase those numbers by 25% in 1989.

A broad menu positions Pizza Hut for a strong drive into these markets. Hand-Tossed Pizza was a successful '88 rollout in its own right, but the medium-thick crust also resists sogginess better than either thin-crust or pan pies and is therefore better suited for home delivery. The individual pan pizza has been a lunchtime staple at Pizza Hut since its introduction in 1983. Now the company can serve it from new 8-by-10-foot kiosks in non-commercial settings, starting with 200 Marriott contract locations. And Triple Express food court units pack the brand-name power of all three PepsiCo concepts into a cost-efficient unit with three counters, one kitchen and a shared staff.

DOMINO'S PIZZA INC. **$2,300MM**

No. 2 pizza chain Domino's may

continued on page 108

400: PIZZA/ITALIAN

LEADING PIZZA/ITALIAN COMPANIES

1 **PIZZA HUT (4)**
Sales: $3,390MM Units: 6,662

2 **DOMINO'S PIZZA INC. (10)**
Sales: $2,300MM Units: 4,943

3 **LITTLE CAESARS PIZZA (23)**
Sales: $908MM Units: 2,180

4 **PIZZA INN (67)**
Sales: $325**MM Units: 666

5 **OLIVE GARDEN (70)**
Sales: $300MM Units: 134

6 **ROUND TABLE PIZZA (81)**
Sales: $267MM Units: 540

7 **SHAKEY'S PIZZA (85)**
Sales: $260.8MM Units: 405

8 **GODFATHER'S PIZZA (95)**
Sales: $231MM Units: 534

9 **SHOWBIZ PIZZA/ CHUCK E. CHEESE (104)**
Sales: $209.2*MM Units: 258

10 **SBARRO INC. (131)**
Sales: $154MM Units: 328

11 **MAZZIO'S CORP. (138)**
Sales: $143MM Units: 280

12 **PAPA GINO'S OF AMERICA (149)**
Sales: $128.3MM Units: 205

13 **MR. GATTI'S INC. (152)**
Sales: $127*MM Units: 300**

continued on page 114

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Domino's says pan pizza "tested well," but it also helps the chain defend its share of home delivery.

continued from page 105

have taken the greatest leap of all this past year. The company that made its fame (and fortune) with a bare-bones menu of one pie, 10 toppings and one soft drink actually added an item: pan pizza. President Tom Monaghan says the new thick pie went on the national menu not as a result of competitive pressure but because "it tested well," adding up to 24% of all orders in its first month on the menu. But the net result is to send Domino's menu head-to-head with those of Pizza Hut and Little Caesars, which introduced Pan! Pan! thick pizza last year. The company is offering two-for-one discounts on both types of pie.

Staying competitive may be more important than ever to Domino's, now that Pizza Hut seems poised to challenge its lock on the pizza-at-home market. Domino's still gets a 55% share of the delivery business and remains firmly committed to the 30-minutes-or-$3-off guarantee, according to Monaghan; but Pizza Hut's entry will force Domino's to improve service.

LITTLE CAESARS PIZZA $908MM

Augmenting its thin-crust Pizza! Pizza! with a successful Pan! Pan! rollout in '88, Little Caesars spent the rest of the year building market presence with its first national TV ads. But the company also acquired Mother's, a 100-unit chain of sit-down pizza restaurants in Canada. Little Caesars President Michael Ilitch said the purchase would let Caesars increase both buying power and market profile in Canada, where the company operates 41 restaurants under its own name.

PIZZA INN $325MM**

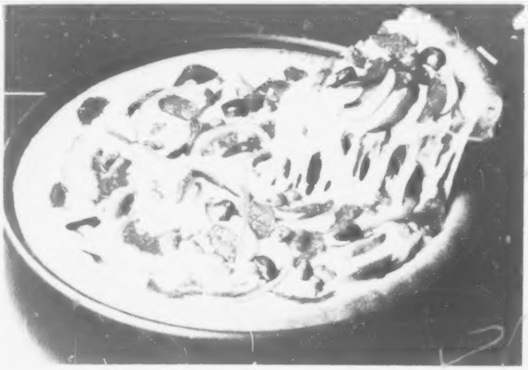
Rather than opting for delivery, Pizza Inn, the highest-ranking regional player in the pizza segment, is trying to build dine-in traffic, a category that has seen severe declines across the segment. The chain recently introduced a daily buffet of 25 items, including salads, pastas and pizza, for $3.99 at lunch and $4.39 at dinner.

Underlying this repositioning effort is the assumption that the buffet concept is too labor-intensive for a sit-down chain as large as Pizza Hut. Pizza Inn also hopes the new items will enhance the price/value perception of its restaurants and isolate them from the widespread price battles now being waged by the big chains—battles that would eat into the company's margins.

OLIVE GARDEN $300MM

The fast-growing Italian restaurant

continued on page 114



Domino's new pan pizza accounted for 24% of the chain's business the first month it was on the menu.

400: PIZZA/ITALIAN

LEADING PIZZA/ITALIAN COMPANIES

14 PIZZERIA UNO RESTAURANTS (228)
Sales: $66.4MM Units: 54

15 PETER PIPER INC. (259)
Sales: $52.4MM Units: 111

16 DINO'S/CRUSTY'S USA (273)
Sales: $50*MM Units: 205

17 OLD SPAGHETTI FACTORY (296)
Sales: $42.6MM Units: 28

18 ROCKY ROCOCO (306)
Sales: $40MM Units: 80

19 PIETRO'S CORP. (322)
Sales: $38MM Units: 80

20 VALENTINO'S (344)
Sales: $34MM Units: 40

21 NOBLE ROMAN'S INC. (349)
Sales: $33.7*MM Units: 89

22 LAROSA'S INC. (362)
Sales: $31.2*MM Units: 43

23 STRAW HAT PIZZA (369)
Sales: $30MM Units: 82

24 HAPPY JOE'S PIZZA & ICE CREAM PARLOR INC. (375)
Sales: $28.6MM Units: 82

25 NUMERO UNO PIZZA PASTA & MORE (376)
Sales: $28.5*MM Units: 58

26 MOUNTAIN MIKE'S PIZZA INC. (380)
Sales: $28MM Units: 65

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Solid execution and good value perception make Olive Garden and Sbarro dine-in winners.

continued from page 105

chain doubled both sales and units last year, and without any large-scale ad programs or promotions. The near future holds another "building" year as the chain heightens its presence in its current 37 markets without major changes in its prototype. All stores make their own pasta, have full-service bars and offer wine. Daily blackboard specials, which have become the most popular menu items, take advantage of local availability and include Venetian Chicken, Fettucini Alfredo, Vegetarian Lasagna and Shrimp Parmesan. The restaurants also offer combination platters of northern or southern Italian dishes for $10 to $12. Some are testing separate takeout counters, though on-premise dining will remain the stores' primary focus.

SBARRO INC. $154MM

This chain of cafeteria-style Italian restaurants has become as big a hit on Wall Street as it is in shopping malls: the company's stock price climbed 55% in the year ending May 31, 1989. One reason is the company's solid fundamentals: The most popular Italian items are prepared daily in-store and served in large portions for moderate prices ($2.50 to $3.99 for entrees other than pizza) in a heavily traveled environment that is relatively free from competition.

The company is now exploring life beyond the mall, hoping to tap into new markets. Under the auspices of Marriott's Travel Plaza division, Sbarro has opened units on interstates around the East; the chain is also moving into airports.

VALENTINO'S $34MM

Valentino's is a lesson in how to succeed as a regional pizza maker. The company owns restaurants in Omaha and Lincoln, Neb., and franchises territories from South Dakota to St. Joseph, Mo. "No one seems to get real excited about the area," says Valentino's President M[illegible] Alessio. "But we like where we are."

On-premise dining accounts for about 55% of Valentino's sales, and most of it centers on the daily buffet featuring salads, pizza, casseroles, lasagna and other pasta dishes. To build frequency, the company adds a few items to the buffet every month, rotates a number of pizza toppings (including Mexican and Canadian bacon) and [illegible]ws another half dozen from a rec[illegible] file of 30 pasta sauces. The Italian buffet costs $4.49 at lunch, $5.49 at dinner.

—*Brian Quinton*

Pizza-Hut EXPRESS

New 8-x-10-foot kiosks will let Pizza Hut get into tight spaces, like airports and B&I contractors' service lines.

400: STEAK & BBQ

Bonanza is beefing up its menu with seafood offerings such as Shrimp Scampi and Broiled Fish.

HOW ABOUT SOME STEAK WITH THAT SALAD?

Steakhouses continue to offer bigger food bars—but not at the expense of beef sales, executives say.

Beef may be back, but patrons want something to dress it up, and food bars seem to be the answer for many operations. Steakhouses are by no means a thing of the past, but with menus constantly expanding, the lines between the traditional steakhouse and full-fare family style restaurants are blurring. Restaurants with menus firmly entrenched in beef items may become more easily differentiated from the pack.

"We actually got out of the habit of emphasizing steak as a major item a long time ago," says Jeff Rogers, CEO of USACafes, which operates Bonanza Restaurants. Steak now accounts for approximately 27% of sales at Bonanza.

Bonanza is beginning to redesign its restaurants around its Food Fare food bar, making it the restaurants' centerpiece. Half of its 600 units have added new low-calorie, low-salt items to increase repeat customer visits.

Success these days, say many operators, is a result of giving customers what they want. And steak is often less than half the equation. Segment leader Sizzler reports, for example, that its hottest sellers right now are "combos" (steak and seafood, chicken and shrimp) and food bar items.

"New menu items have enhanced our restaurants in our customers' minds," says Karen Randall, public relations director for the 211-unit Quincy's, operated by Spartan Food Systems. Quincy's has expanded its food bar this year, adding desserts to the salads, soups, and homestyle meats and vegetables it already offers.

Food bars are not the only area where the menu is expanding. Entree items being tested and permanently added to steakhouse menus include more chicken and seafood. Even the barbecue segment is getting into the menu expansion act.

Last year, Sonny's Real Pit Bar-B-Q added char-broiled chicken to its menu. This year, smoked turkey was introduced. Damon's is testing more poultry items on its dinner menu.

400: STEAK & BBQ

LEADING STEAKHOUSES AND BARBECUE CHAINS

1	**SIZZLER INTERNATIONAL (26)**	Sales: $850MM	Units: 625
2	**PONDEROSA INC. (33)**	Sales: $749MM*	Units: 718
3	**BONANZA RESTAURANTS (39)**	Sales: $571MM	Units: 612
4	**GOLDEN CORRAL (47)**	Sales: $456MM	Units: 502
5	**WESTERN SIZZLIN' STEAK HOUSE (48)**	Sales: $450MM	Units: 550
6	**QUINCY'S RESTAURANTS (87)**	Sales: $251MM	Units: 211
7	**RYAN'S FAMILY STEAK HOUSES (92)**	Sales: $234.0MM	Units: 122
8	**STEAK & ALE (101)**	Sales: $225MM**	Units: 159
9	**STUART ANDERSON'S (120)**	Sales: $176.4MM*	Units: 84
10	**TONY ROMA'S (122)**	Sales: $171.2MM*	Units: 118
11	**MR. STEAK (185)**	Sales: $85MM	Units: 125

continued on page 122

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. **R&I* estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

New entrees and cleverly designed food bars enable steakhouses to expand menus with ease.

And Beefsteak Charlie's has added rib combinations, such as teriyaki chicken and baby-back ribs, and a chicken sampler.

PONDEROSA **$749MM**

Ponderosa, now privately owned, has made several moves to upgrade the total customer experience. It has introduced higher quality USDA Choice steaks in all units, and has upgraded other products as well, using Colby cheese instead of imitation cheese, and real bacon bits.

The company's successful Grand Buffet experiment was rolled out nationally last July, and has helped attract customers. The food bar concept is marketed as a supplement to the chain's basic menu fare of steaks, chicken and seafood with the theme, "Make your entree grander."

BONANZA **$571MM**

Customers come to Bonanza more for variety than any particular menu item, according to CEO Jeff Rogers. Menu expansion in fast food and other industry segments has paved the way for similar moves in steakhouses, he says.

The company's expanded Food Fare food bar concept has garnered enthusiastic customer response and resulted in a 3% increase in customer counts last year. Bonanza is now beginning to redesign its units to make the food bar a centerpiece. Food Fare has taken on a personality of its own, and its many stations give customers an opportunity for creativity. Some 300 of the chain's units have added items that are lower in calories and sodium to the food bar.

New menu items being tested include broiled chicken and seafood entrees and Chicken Fried Chicken.

Success this year, though, has been the result of more emphasis on crew motivation and better management techniques, not just menu expansion.

Next on tap is the conversion of the 40 York's units acquired by the company to Bonanza Restaurants.

QUINCY'S **$251MM**

Giving customers what they want has been the driving force behind Quincy's expansion of its hot food bar. The chain now has four food bars in its Country Sideboard concept—garden salad, soup, hot homestyle meats and vegetables, and the new dessert bar with an emphasis on soft-serve sundaes and deep-dish pies. The chain also has been testing a new grilled chicken breast and breakfast items.

Unit expansion slowed considerably

Seafood and steak are menu mainstays at Bobby Rubino's Place for Ribs.

400: STEAK & BBQ

Sonny's is among the barbecue chains experimenting with char-broiled chicken and smoked turkey.

last year to give the company time to do more extensive employee training and develop its management team. And with a new, larger store design, Quincy's is getting ready to roll again.

MR. STEAK $85MM

Survival has been Mr. Steak's strategic focus since it went into Chapter 11 in October 1987. Moves to sell off unprofitable units and cut costs have made the company leaner and meaner.

The establishment of a separate marketing cooperative governed by a steering committee of franchisees in December 1987, has dramatically improved the company's fortunes. "While we've broadened our menu along with others in the segment," says Marketing Vice President John Imbergamo, "our success this year has really come from an excellent program of promotions."

Five or six well-supported, food-related promotions a year have brought the level of franchisee participation up to 75% from less than 20% two years ago. Promotions this year include summer salads at lunch, ribs at dinner, and prime rib in the fall.

SONNY'S REAL PIT BAR-B-Q $69.4MM

Southern-style marinated, slow-cooked barbecue with sauce on the side is the signature of Sonny's Real Pit BBQ. Sonny's menu includes ribs, chicken halved or quartered, and sliced barbecue beef and pork, along with signature barbecue beans and a 40-item, all-you-can-eat salad bar.

Check averages are about $4.75 at lunch, slightly higher at dinner, and side orders include cole slaw, french fries, and garlic bread. Takeout can account for as much as 30% of sales, depending on the unit.

Char-broiled chicken was introduced last year, and smoked turkey was added to the menu this year. The company also is testing a smoked ham steak with a low fat content.

RUTH'S CHRIS STEAK HOUSE $38MM

A traditional, high-end steakhouse, Ruth's Chris Steak House has ambitious expansion plans, with the addition of five units last year and five more slated this year. New markets for the company include Hawaii, New Jersey, Las Vegas, and North Miami Beach.

White filet is still a best seller, the menu has been broadened to include a new marinated and grilled chicken entree and a mixed grill of filet, pork tenderloin, and chicken breast.

—Michael W. Sherer

LEADING STEAKHOUSES AND BARBECUE CHAINS

12 **SONNY'S REAL PIT BAR-B-Q (219)**
Sales: $69.4MM* Units: 79

13 **WESTERN STEER (221)**
Sales: $68.9MM* Units: 202

14 **K-BOB'S STEAK HOUSES INC. (252)**
Sales: $54.6MM* Units: 65

15 **SIRLOIN STOCKADE (260)**
Sales: $52.3MM Units: 67

16 **BEEFSTEAK CHARLIE'S (282)**
Sales: $48MM Units: 42

17 **DAMON'S INC. (305)**
Sales: $40.1MM Units: 33

18 **BOBBY RUBINO'S PLACE FOR RIBS (316)**
Sales: $39MM Units: 20

19 **RUTH'S CHRIS STEAK HOUSE (321)**
Sales: $38MM Units: 23

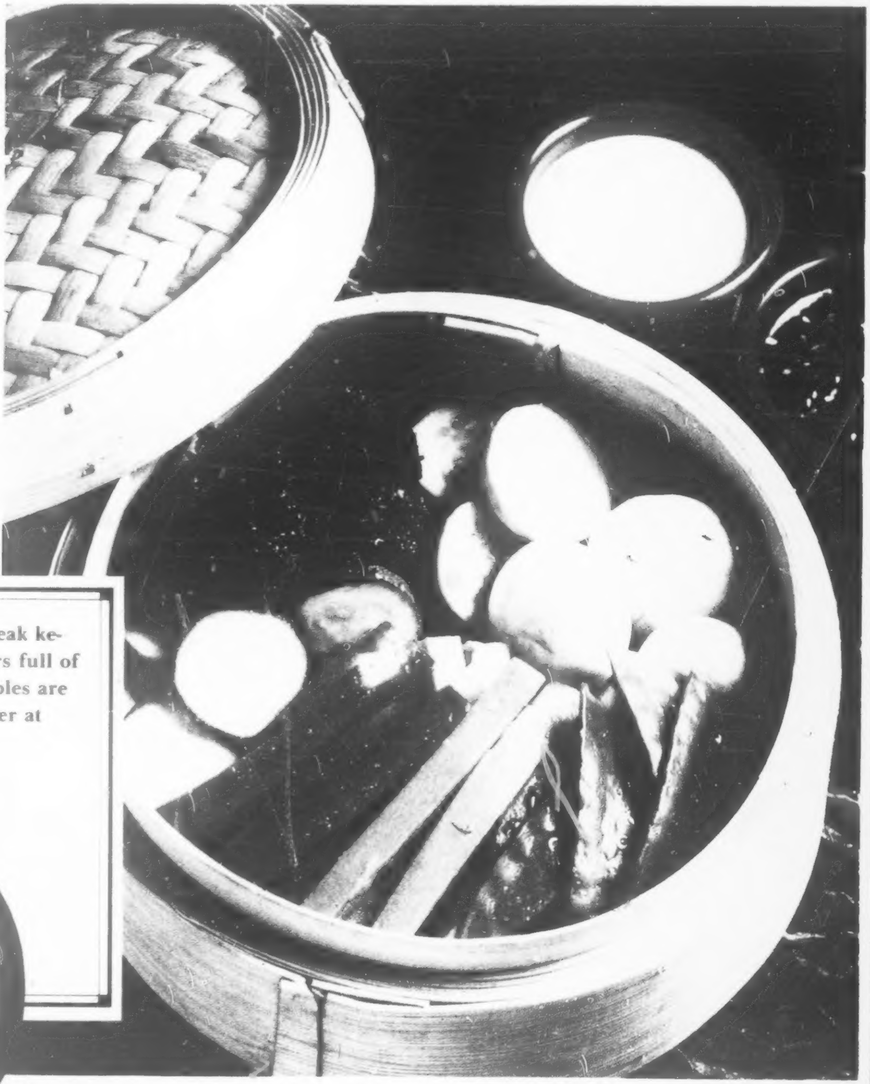
20 **THE HILLTOP STEAKHOUSE (361)**
Sales: $31.5MM Units: 2

21 **THE HAPPY STEAK (388)**
Sales: $27MM Units: 35

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. *R&I estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

Like most of the competition, Ruth's Chris Steak House has broadened its menu.

400: DINNER HOUSES



Move over, sizzling steak kebabs: Bamboo steamers full of colorful, fresh vegetables are the new attention getter at Magic Pan.

DINNER-HOUSE DARING: TO HEALTH WITH GUSTO

Zesty ethnic renderings of chicken, pasta and fish go beyond standard salads and steamed vegetable plates of mid-'80s.

Sicilian stuffed mushrooms from TGI Friday's, baked ziti from Bennigan's, Chinese duck in a wholewheat sesame crêpe from Magic Pan: all new and healthy, none blasé. In 1989 the food message from dinner houses is clearly light, but creative. Once-tentative forays into uncharted low-cholesterol and low-fat food territories now yield grilled and marinated fish and chicken dishes, pasta and warm salads more daringly Italian, Southwest American and Pan-Asian in flavor and presentation. "These new items have brought a feeling of electricity into our restaurants," says Mark Pratte, director of food and beverage at Red Robin. "Our servers are selling a lot more."

Along with suggestive-selling techniques, many dinner houses are reorganizing menus to give more prominent display to healthful items and call attention to the use of high-grade oils and fresh vegetables. To accelerate repeat business and lower food costs, others have expanded appetizer sections, moving from everything-included entrees (soup, salad and entree) to smaller-portioned entrees or a la carte selections that give customers the chance to graze.

Bobby McGee's, for example, used to include its soup-and-salad bar, bread, starch, and vegetable with all entrees. The chain's new menu (June 1989) now offers entrees for less (Mahi Mahi Macadamia, listed at $9.50 on the old menu, sells for $7.25 on the new one), and tacks on $2.95 for a trip to the salad bar. "This new menu has put us in league with more moderate restaurants with a much greater repeat business," says Operations Director Anthony Corella. "Customer counts have gone up 3% to 5% already, and our food costs are down four points."

TGI FRIDAY'S $373MM

"People are asking us a lot more about cholesterol," says Rick Crossland, vice president of research and development at Friday's. In response, Friday's is testing the substitution of olive or peanut oil for all food currently sautéed. "That's not to say we're eliminating butter completely, it's just a part of our continued movement away from deep-fried foods," says Crossland. "We continue to experience sales growth in non-fried entrees: pasta, salads, chicken."

Friday's new Fresh-Vegetable Medley entree, for example—an assortment of seven vegetables served with a baked potato or brown rice pilaf and salad—has been selling well over 100 orders per store per week. And a Sicilian Stuffed Mushroom appetizer introduced this year is selling well. Also new: Friday's Herb-Grilled Chicken and a Smoked Turkey Reuben.

CHILI'S $350MM**

Adapting its menu to include "what customers want today," Chili's added Chicken Tacos and Southwestern Shrimp in 1988 and rolled out its Grilled Tuna Salad in the first quarter of '89. The salad, mixed greens with chunks of seasoned grilled tuna, spicy *pico di gallo*, sugar-glazed walnuts and green onion, is "the story of the day," says Ken Dennis, vice president of marketing. "We also switched to the use of 100% vegetable oil this year."

Chili's continues to use television as its major advertising vehicle, and aired spots in 1988 featuring Southwestern Shrimp, Shrimp Fajitas and Beef Fajitas. Another commercial targeted families with children.

Velvet Turtle celebrates 25 years of serving classics: Beef Wellington, seafood, prime rib and (above) rack of lamb.

400: DINNER HOUSES

LEADING DINNER HOUSES

1 **BENNIGAN'S (46)**
Sales: $458.1MM Units: 222

2 **TGI FRIDAY'S INC. (58)**
Sales: $373MM Units: 136

3 **CHILI'S INC. (63)**
Sales: $350MM** Units: 183

4 **GROUND ROUND (105)**
Sales: $209MM Units: 215

5 **SPECIALTY RESTAURANTS CORP. (113)**
Sales: $189MM Units: 74

6 **BROWN DERBY INC. (121)**
Sales: $174MM* Units: 70

7 **RUBY TUESDAY (151)**
Sales: $128MM Units: 80

8 **CHART HOUSE (158)**
Sales: $111.1MM* Units: 60

9 **RED ROBIN (168)**
Sales: $100.3MM Units: 47

10 **BENIHANA OF TOKYO (184)**
Sales: $88MM Units: 50

11 **RESTAURANT ASSOCIATES GROUP (194)**
Sales: $80.9MM Units: 20

12 **LETTUCE ENTERTAIN YOU ENTERPRISES INC. (196)**
Sales: $80.7MM Units: 26

13 **BILL KNAPP'S MICHIGAN INC. (205)**
Sales: $77.3MM* Units: 63

14 **PRUFROCK RESTAURANTS (211)**
Sales: $73.9MM Units: 60

15 **HOUSTON'S RESTAURANTS (218)**
Sales: $69.6MM Units: 18

continued on page 134

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High-end dinner houses: More high-grade oils, smoked fish, beans, grains and foraged salad greens.

PRUFROCK RESTAURANTS $73.9MM

How to serve traditional Southern home cooking and convey that it isn't all starch and fat? Publicize the fact that your chain uses 100% vegetable shortening and only fresh, homey vegetables: okra, green beans, squash, carrots, potatoes with the skin on.

The approach is working for Prufrock's Black-eyed Pea. Helping things along, the company has added a larger house salad to the menu and now is rolling out four charbroiled items: chopped steak, pork chops, chicken breast and charbroiled chicken salad.

"Charbroiling helps the customer's perception of the healthful value of the food," says Vice President of Marketing Jordan Rohde.

RED ROBIN $100.3MM

Red Robin's new Bamboo Steamer appetizer "is as much a head-turner as a sizzling platter of fajitas," says Pratte. Servers present the authentic Chinese bamboo steamers full of fresh vegetables with a flourish: "When they whisk off the lid, the steam comes bellowing out," says Pratte. "It creates a lot of excitement."

While bacon cheeseburgers are still Seattle-based Red Robin's biggest seller, and the chain continues to strengthen its gourmet burger emphasis, selections such as the Bamboo Steamer, Chicken Milano, Bonzai Chicken Fajitas and Stir-Fried Chicken Salad, all featured on the chain's new menu (March 1989), are climbing in popularity. "We're continuing with the cross-pollination of cuisines," says Pratte. "Asian, Mediterranean, Caribbean, Italian, French and Mexican flavors highlighted with an American touch. We're also developing more flavorful but healthy items to address our customers' concerns regarding cholesterol and calories."

Red Robin does about 45% of its sales at lunch, 55% at dinner, and would like to shift to a 40-60 split without losing lunch business.

RESTAURANT ASSOC. GROUP $80.9MM

Panevino and Caffe Sport, the RA Group's newest concepts, feature fine olive oil imported from Italy. "We have over the last year increased use of virgin olive oil in preparations, drizzled over salad and set out on tabletops for dipping bread," says John Harding, media relations manager. "Importing our own oil is a special touch." In addition to "a tremendous increase in the use of high-grade oils," Harding says

continued on page 134

TGI Friday's is experimenting with the substitution of olive oil and peanut oil for all the foods it sautées.

400: DINNER HOUSES

LEADING DINNER HOUSES

16 **THE LEVY RESTAURANTS INC. (233)**
Sales: $62.5MM Units: 31

17 **ASSOCIATED HOSTS (236)**
Sales: $60MM** Units: 54

18 **RESTAURANTS UNLIMITED SPECIALTY RESTAURANTS (238)**
Sales: $60MM Units: 20

19 **HARD ROCK CAFE AMERICA (240)**
Sales: $60MM Units: 7

20 **BOMBAY BICYCLE CLUB (246)**
Sales: $56.8MM* Units: 43*

21 **BOBBY McGEE'S (254)**
Sales: $53MM** Units: 20

22 **VELVET TURTLE (256)**
Sales: $53MM* Units: 21

23 **CHARLIE BROWN RESTAURANTS (266)**
Sales: $51.9MM Units: 36

24 **TRADER VIC'S (272)**
Sales: $50MM Units: 20

25 **MAGIC PAN (283)**
Sales: $47MM Units: 5

26 **HAMBURGER HAMLETS INC. (286)**
Sales: $46MM Units: 22

27 **STOUFFER SPECIALTY RESTAURANTS (299)**
Sales: $42MM* Units: 22

28 **McFADDIN VENTURES (301)**
Sales: $41.1MM Units: 34

29 **ARK RESTAURANTS (324)**
Sales: $37.9MM Units: 17

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Once-tentative forays into uncharted healthful food territories now yield more daringly ethnic dishes.

continued from page 130

RA's restaurants are using a wider variety of smoked fish, beans, and grains, and more unusual salad items. "More foraged foods—things like watercress and dandelion leaves," says Harding.

VELVET TURTLE **$53MM**

Traditions live on at American Restaurant Group's Velvet Turtle. "This remains a traditional special-occasion restaurant," says President John Cutter. "Our four biggest sellers remain rack of lamb, Beef Wellington, prime rib and the mixed seafood platter—timeless dishes with top of mind recognition—all to be featured this year, our 25th anniversary."

But the chain does leave room for innovation: Velvet Turtle's "fresh sheet," which features seven to eight specials by Chef Reinhard Dorfhuber, changes daily.

CHARLIE BROWN **$51.9MM**

The menu now in test for a July rollout at Charlie Brown's has lower price points, smaller-portion items and gives guests the option of sharing appetizers. "We kicked off the combination appetizer idea with a fried combination platter in January," says Vice President of Food and Beverage Rick Kaskel. "The success of that introduction prompted our second combo-appetizer plate, a barbecue platter. Others will fol-low."

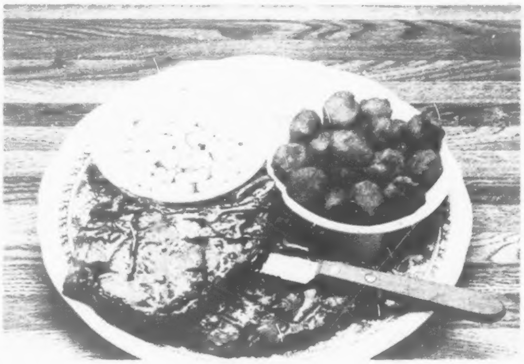
The more upscale Office restaurant concept expanded its menu in 1988 to include swordfish, coconut chicken and a variety of "Megaburgers," introduced in conjunction with food promotions throughout the year. A "Camp South Pacific" (Polynesian Australian Hawaiian) promotion launched a Malibu Megaburger. Mardi Gras came with a Cajun Megaburger. Looking ahead, the Office will roll with more pastas and stuffed chicken.

MAGIC PAN **$47MM**

The menu Magic Pan launched in February includes 30 new items, according to Jon Forsman, vice president of operations. "It's still primarily a mix of sautées and crêpes, but we've added some pasta dishes and more traditional-style sandwiches."

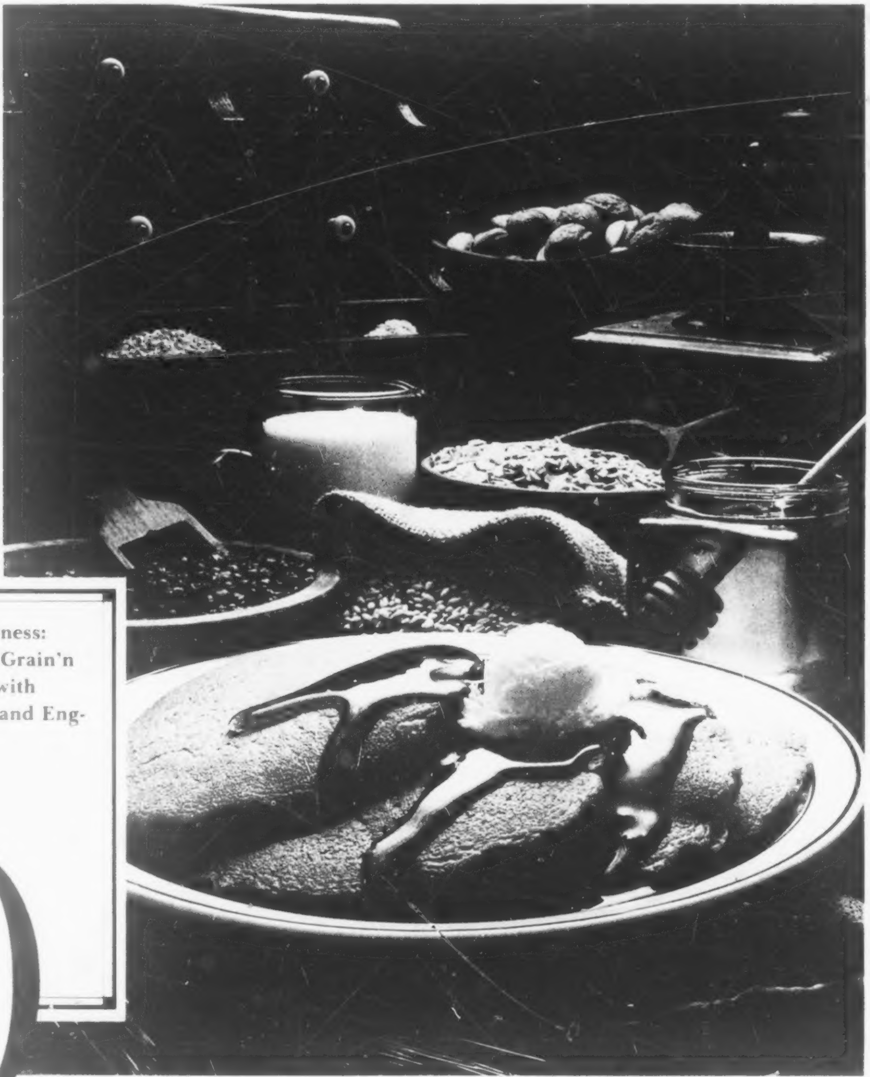
Magic Pan dropped heavily sauced items such as their Seafood Devon and replaced them with dishes such as Chinese duck on a wholewheat sesame crêpe, a mulligatawny sautée with curried vegetables and eggplant, and a five-cheese herb crêpe. "All things that are more nutritious," says Forsman, "and much more contemporary."

—Monica Kass



Black-eyed Pea is battling a "heavy food" perception with a new line of charbroiled meats and more fresh vegetables.

400: FAMILY DINING



Picture of wholesomeness: IHOP's new Harvest Grain'n Nut Pancakes, made with wheat, oats, almonds and English walnuts.

DOWN-HOME AND ETHNIC TRENDS BROADEN MENUS

Family dining's A-to-Z menus pitch appeal to broad customer range with trendy foods and old favorites.

RESTAURANTS & INSTITUTIONS

Family dining menus get an "A" for their efforts to appeal to everyone: families, children, seniors, couples and other customer groups. This year's all-things-to-all-folks menu approach is based on sound marketing, analyzing customers' life styles and life stages, tracking taste trends and making careful choices among them.

Menus address customers' growing nutritional concerns by offering more light, healthful dishes—fish, chicken, fresh fruit and salads—and options that either are, or can be prepared as, low-sodium, low-cholesterol, or low-calorie items. Denny's will add a grilled chicken salad in 1989. Shoney's allows customers to substitute baked potato for rice or french fries during peak daily dinner hours and on Sundays. Shoney's also added eight to 10 new items to salad bars, and its three special promotions all include fish: Steak and Shrimp, Charbroiled Shrimp, Seafood Platter. Kettle Restaurants added Grilled Whitefish Fillet, its first non-fried item.

In addition to its seven different salads, Cracker Barrel will launch a "Summer Light" promo in '89; Lyon's highlights nonfat milk, low-calorie maple-flavored syrup, non-cholesterol egg product and a vegetarian sandwich; J.B.'s added five new fish items; Huddle House added new salads, chicken and fish dishes; Elmer's added low- and non-cholesterol items, and 4 B's retains a physician consultant for menu development.

But these same operations often have expanded and enriched their dessert menus—speaking directly to America's sweet tooth. Stuckey's added ice cream to some stores, frozen yogurt to others, and reports excellent sales for both. Diversified Hospitality is testing new desserts to expand that menu section in its 24-hour Steak'n Egg restaurants; Lyon's launched a big new fudge brownie and used table tents to promote four fruit-topped ice cream cake desserts so big that customers are encouraged to share. Among Country Kitchen's "Country Kitchen's Good Desserts" are Down-Home Apple Dumpling with cinnamon ice cream, Hot Fudge Cake with hot fudge sauce, and a hand-dipped milkshake.

The renewed appetite for down-home comfort food is giving old-fashioned favorites fresh popularity in family dining; however, menus also are highlighting carefully chosen trendy ethnic and regional dishes. Denny's best-selling hearty Grand Slam breakfast was glamorized in '88 by the addition of French and Southern menu variations. Toddle House Diners offer 10 dinner platters, the likes of Liver and Bacon with Onions and Turkey with Gravy, with a choice of sides such as red beans, mashed potatoes, grits, sliced peaches. But Toddle House also offers a Mexican Fajita Steak. Perkins puts Cajun Chicken and Teriyaki Chicken on the menu with its new Down Home Dinner featuring such items as fish, meatloaf and ham steak, and a seafood omelet alongside its trademarked Granny's Country Omelette. Country Kitchen, launching "Blue Ribbon Taste" (phase two of its successful "The Country's Calling You" media campaign) brought back meatloaf by popular demand, and its Calico Bean Soup, a 1987 add-on, sold more than a million servings in '88. The June '89 menu offers Mexican Hat Salad, Cape Cod Scrod, and Veal Parmigiana. Skillet Breakfasts continue to be top sellers, accounting for 15%

Po-to-Go Pikniks: This is newest in PoFolks take-outs, the 8-Piece Piknik chicken, which, priced at $9.99, feeds four.

400: FAMILY DINING

For every light, healthful menu item in family-dining restaurants, customers can find a rich dessert.

LEADING CASUAL DINING COMPANIES

1	**DENNY'S INC. (15)**	Sales: $1,300MM	Units: 1299
2	**BIG BOY (22)**	Sales: $940MM**	Units: 912
3	**SHONEY'S (25)**	Sales: $864.1MM	Units: 636
4	**FRIENDLY ICE CREAM (40)**	Sales: $564MM	Units: 848
5	**WALT DISNEY CO. (54)**	Sales: $382MM*	Units: 179
6	**PERKINS FAMILY RESTAURANTS L.P. (56)**	Sales: $375MM	Units: 341
7	**INTERNATIONAL HOUSE OF PANCAKES (69)**	Sales: $315.8MM	Units: 437
8	**BOB EVANS FARMS INC. (74)**	Sales: $290MM	Units: 223
9	**WAFFLE HOUSE INC. (83)**	Sales: $262.1MM*	Units: 667
10	**VILLAGE INN PANCAKE HOUSES (93)**	Sales: $233MM	Units: 272
11	**MARIE CALLENDER (100)**	Sales: $226MM	Units: 152
12	**BAKERS SQUARE (111)**	Sales: $189.4MM**	Units: 152
13	**COUNTRY KITCHENS (123)**	Sales: $167.3MM	Units: 252
14	**POFOLKS INC. (129)**	Sales: $155.5MM	Units: 149

continued on page 150

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of total daily sales.

Increasingly, the family dining segment is courting youngest and oldest customers by emphasizing children's and seniors' menus with smaller portions, lower prices.

Menu trends in family dining include an increase in takeout; operations are making it easier for customers to eat in the unit or order for carryout selected, or in some cases all, menu items. Unlike the fast-food segment, which is questioning the profitability of food bars, the family dining segment is placing a renewed emphasis on this component. Many are enlarging and upgrading their breakfast, soup and salad bars. Almost all family dining chains are focusing on improved service, and a few are experimenting with fast service—PoFolks promises a 15-minute Fast Folks Lunch; Perkins guarantees and Denny's is testing a 10-minute lunch.

As these profiles show, the family dining operations best equipped to make most of the people happy most of the time are upgrading the quality of menu items, streamlining their menus to enhance and highlight the new variety, developing sales in less profitable day parts and marketing by promotions and advertising.

IHOP **$315.8MM**

After more than two years' testing, IHOP's new Harvest Grain'n Nut Pancake is ready for systemwide rollout. While it is not marketed as a healthful pancake, advertising conveys it as wholesome, made with whole wheat, oats, almonds and English walnuts. Best-selling breakfasts in '88 included the International Passport Breakfasts (double eggs, bacon, sausage with choice of French, American buttermilk, German or Swedish pancakes).

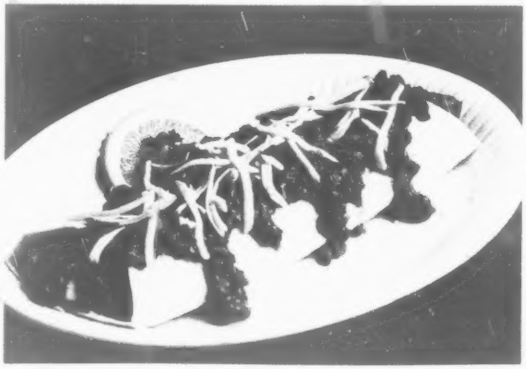
To counteract the image of IHOP as a weekend restaurant with long waits, leisurely breakfasts and large portions, IHOP introduced the new lower-priced Fast Break Breakfast of smaller portions, served early mornings Monday through Friday. Television commercials compare Fast Break favorably to fast-food breakfasts.

To expand menu variety, IHOP added "A Whole New Flock of Sandwiches" in '88: Chicken, Mushroom and Swiss; Simply Chicken; Chicken, Bacon and Cheese; Chicken, Barbecue, Bacon and Cheese are all made with skinless, boneless chicken breasts on "Parmesan-grilled" bread.

BOB EVANS FARMS **$290MM**

Operating on the philosophy of "less

continued on page 150



New at Bob Evans: The Border Scramble, a chili- and cheese-topped tortilla filled with sausage, vegetables, potatoes.

For information National Dairy Board circle 135→

400: FAMILY DINING

LEADING CASUAL DINING COMPANIES

15 **KETTLE RESTAURANTS INC. (155)**
Sales: $123.2MM Units: 201

16 **HOWARD JOHNSON'S (161)**
Sales: $110MM** Units: 136

17 **WAG'S RESTAURANTS (169)**
Sales: $100MM Units: 91

18 **LYON'S RESTAURANTS (170)**
Sales: $100MM Units: 65

19 **J.B.'S RESTAURANTS (171)**
Sales: $99.7MM Units: 116

20 **DOBBS HOUSES INC. (174)**
Sales: $94.4MM* Units: 238

21 **SWENSEN'S ICE CREAM CO. (181)**
Sales: $90MM** Units: 307

22 **MARRIOTT FAMILY RESTAURANTS (192)**
Sales: $81.9MM* Units: 163*

23 **MARRIOTT TRAVEL PLAZAS (216)**
Sales: $69.8MM* Units: 90*

24 **EAT'N PARK (226)**
Sales: $67MM Units: 49

25 **STUCKEY'S CORP. (241)**
Sales: $60MM Units: 127

26 **COUNTRY PRIDE (277)**
Sales: $50MM* Units: 37

27 **HUDDLE HOUSE INC. (280)**
Sales: $48.5MM Units: 132

28 **VIE DE FRANCE (289)**
Sales: $45MM** Units: 58

29 **OLGA'S KITCHEN INC. (300)**
Sales: $41.7MM Units: 51

continued on page 152

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Hearty home-style foods share new menu spotlight with trendy ethnic dishes and lighter fare.

continued from page 142

is more." Bob Evans' menu will get a smidge smaller in '89—as more new items than ever are added. New and interesting menu items, says Roger Williams, marketing director, will replace older menu items.

Best selling items in '88 were, predictably, the traditional breakfast items. But joining the ranks of best sellers were new items, namely meatloaf, chicken and noodles, barbecued ribs. Other popular items added in '88 were chicken fried steak, beef stew and charbroiled catfish.

In '88, Bob Evans dropped oatmeal for about three months, but "We were inundated with requests. It's back on the menu and—with merchandising—is selling at three times its old level."

New for '89 will be chicken, spinach and chef's salads, a fruit plate, raisin-bran muffin, and the Border Scramble breakfast, a large flour tortilla wrapped around sausage, fresh vegetables and potatoes, and topped with chili and cheese.

MARIE CALLENDER PIE SHOPS $226MM

Marie Callender offers the best of both worlds: hearty home-style foods and 30 varieties of pies, plus newer, lighter items. For example, among best sellers in '88 were a variety of meat-and-vegetable pot pies with flaky crusts, and the fresh soup and cornbread combination.

New items that became a part of the regular menu in '88 were a Southwestern cheese-steak-melt; a bread-basket stew; an all-you-can-eat soup, tostada and salad bar; and, for the diet-conscious, a grilled lemon chicken dish.

Rollouts for '89 include an already popular roast beef croissant sandwich, and a another new chicken dish called Chicken Leone. Ahead are additional lighter items.

BAKERS SQUARE $189.4MM

Bakers Square still offers high-quality baked goods to eat in or take out—for example, 25 varieties of pies—but the marketing emphasis has shifted to increasing lunch and dinner traffic.

Best-selling lunch items in '88 were the burgers, and No. 1 was the Works Burger, topped with bacon, sautéed mushrooms and onion, melted American cheese, tomato, alfalfa sprouts, lettuce and a special sauce—with fries or cole slaw for $4.65. A sliced Chicken Breast Salad at $5.75 now is part of the regular menu, making a total of eight salads.

Noteworthy in the sandwich section, which includes classics such as clubs,

Bakers Square tees up dinner with new Stir-Fry Shrimp. Also new (not shown) are stir-fried chicken and vegetable dishes.

400: FAMILY DINING

New old trend: Food bars return, fresher and better, with contemporary American food.

Reubens, tuna melt and hot sandwiches, are the eight pita sandwiches.

Among the most popular Main Meal (dinner) items are the Stir-Fry dinners—chicken ($5.85), vegetable ($5.25), and shrimp ($6.25).

POFOLKS $155.5MM

PoFolks' takeout program was so successful in '88 that a new 8-Piece Piknik (feeds four) at $9.99 has been added. Like the $14.99 16-Piece Piknik for six, it includes Blue Ribbon Fried Chicken, Cole Slaw, Po-tater Salad, Fresh Baked Biskets and a Gallon of Mason Jar Ice Tea, and includes disposable plates, forks and napkins. Other takeout items include Just Chicken, Fish Fry Piknik, side dishes, tea and Belly Washers (bottomless soft drinks).

Catering also is advertised on the menu: "Anything on our menu is fixable for big or small shindigs. Just ask a manager for details."

PoFolks has several new products in test to roll out in '89: Maryland-style crab cake, Texas-style chicken-fried chicken, pot roast, appetizers, barbecue ribs, meatloaf and a fudge pie among them. Two seafood dinners sold extremely well in '88 and a Golden Harvest Seafood Festival will be launched in the fall of '89. Mike McNeil, marketing director, says PoFolks aims to fill the "seafood void between Captain D's and Red Lobster with real good seafood."

SWENSEN'S ICE CREAM $50MM

Earle Swensen himself, Swensen's founder and still a consultant, has returned as a marketing symbol as well to introduce the new all-natural ice cream. He is present on table tents and signage and as a six-foot high stand-up poster. He gives his seal of approval to the new 1950s-style Blue Plate Dinner Specials, all priced at $4.95: Savory meatloaf, Tortellini, Macaroni & Cheese, Chicken Marinara, Chicken Southwest, Chicken Fried Steak, Ham Steak, and Fish and Chips.

On these promotional pieces, Swenson admonishes, "Make sure you save room for dessert." New ones include four lavish sundaes: Heath Bar Crunch, Cookies'n Cookies'n Cream, White Russian and Chocolate Macadamia Crunch. Iron-willed customers might, of course, have Soup du Jour or one of three Gourmet Salads ($5.25 each) for dinner.

MARRIOTT $81.9MM

The big news is Allie's (named for Mrs. Alice "Allie" Sheets Marriott, co-founder and vice president), and Marriott most likely will convert all its Howard Johnson's, Wags, Jolly Rogers and Bickford's to the new family concept.

Open for breakfast, lunch and dinner, Allie's prices range from $3 to $7 for what Rick Sneed, head of corporate public relations, calls "contemporary American food. There is comfort food on the menu, yes, but basically, Allie's is a place where a young family with children can come and enjoy some of today's more creative food dishes, such as steak fajitas, all moderately priced. We use a lot of healthful preparation methods, such as grilling."

Among Allie's old-fashioned dishes will be Better Than Mom's Meatloaf dinner ($5.99), Allie's Fried Chicken dinner ($5.29), and Liver & Onions ($5.50). But the prevailing menu mode is Baja Chicken ($6.99), Chicken Fajitas ($6.99), Chicken Dippers—with honey mustard and barbecue sauces ($5.45), Charbroiled Halibut ($7.39), Steak Fajitas ($6.99).

Anytime Breakfasts are served throughout the day; coffee is freshly ground, regular and decaf. And there is house wine, by glass or carafe, and beer. The seniors' dinner menu offers selected entrees at lower prices and offers Allie's All-You-Can-Eat Salad Bar (normally $3.99) at $3.50.

One development to watch is Allie's Build-A-Lunch Bar ($5.49), where customers can create their own menu from a bar that contains salad ingredients, fresh fruit, warm muffins, pasta with two sauces, taco and tostada fixings and baked potatoes with a variety of toppings. *—Nancy Ross Ryan*

LEADING CASUAL DINING COMPANIES

30 **JERRY'S (303)**
Sales: $40.5MM Units: 54

31 **DIVERSIFIED HOSPITALITY GROUP (309)**
Sales: $40MM Units: 160

32 **AU BON PAIN (323)**
Sales: $38MM** Units: 50

33 **PERKO'S COFFEE KUP (332)**
Sales: $36MM Units: 44

34 **ELMER'S PANCAKE & STEAK HOUSE (337)**
Sales: $35MM** Units: 29

35 **HAPPY CHEF RESTAURANTS (338)**
Sales: $35MM Units: 56

36 **SHARI'S FAMILY RESTAURANTS (345)**
Sales: $34MM** Units: 38

37 **SKYLINE CHILI INC. (358)**
Sales: $32MM Units: 83

38 **KING'S FAMILY RESTAURANTS (359)**
Sales: $32MM Units: 21

39 **LE PEEP RESTAURANTS INC. (365)**
Sales: $31MM** Units: 70

40 **BRIGHAM'S INC. (374)**
Sales: $29MM Units: 66

41 **CHURCH ST. STATION (379)**
Sales: $28MM Units: 5

42 **THE NEWPORT CREAMERY INC. (390)**
Sales: $27MM Units: 39

43 **SCHWARTZ BROS. RESTAURANTS (391)**
Sales: $27MM Units: 19

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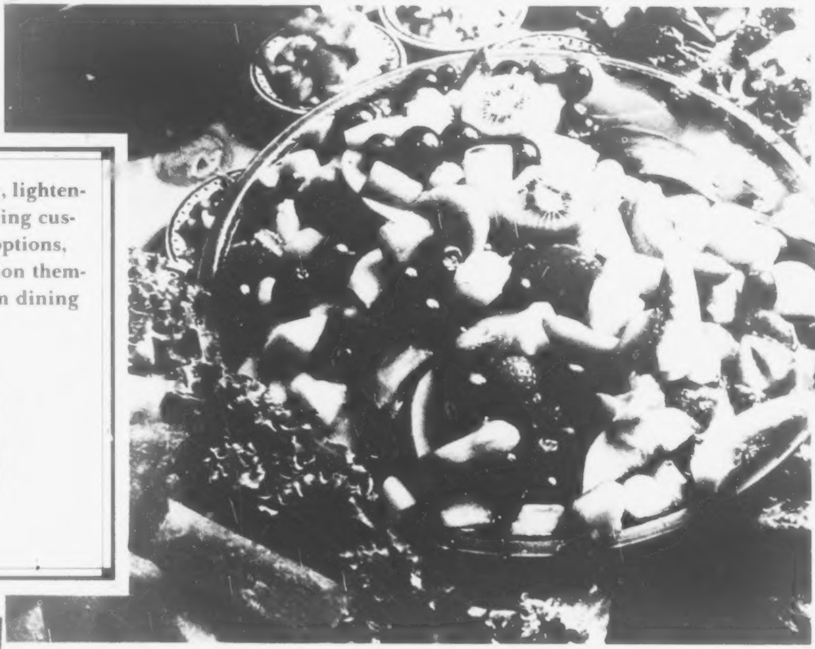
400: CAFETERIAS



By broadening variety, lightening up menus and giving customers more service options, cafeterias try to position themselves as a mainstream dining alternative.

CAFETERIAS TARGET FAMILY-DINING MARKET

Buffet systems, discount clubs, drive-thru windows help major chains accentuate their assets for today's diners.

Cafeterias' battle for the dining-out dollar is not new. The major chains have been sprucing up outlets and updating menus for years in efforts to tap nontraditional markets such as families and young people, and to expand beyond their predominantly Southern and Southwestern markets. But the latest round of changes—takeout counters, drive-up windows, discount clubs, children's menus, and all-you-can-eat buffets—go further than ever before to dispel cafeterias' image as quaint throwbacks to a simpler past. Cafeterias are trying to make the most of their virtues, namely speed, menu variety, and a strong price-value perception. And the leading chains are positioning themselves to compete not only with other cafeterias but with the whole range of low- to mid-price dining options.

MORRISON FAMILY DINING $323MM
Segment leader Morrison has adopted a two-pronged strategy for attracting the potential cafeteria user. Most of the company's sales volume comes from the 158 traditional Morrison cafeterias, which offer a menu of about 120 items for an average check of $4.80. Thirty of these now have separate takeout areas; all offer takeout items.

But Senior Vice President Richard McGeoch says the company also sees great potential in Sadie's Buffets, where customers serve themselves from a menu half the size of the cafeterias' for a fixed all-you-can-eat price of $4.49 at lunch and $5.79 at dinner. "It appeals to young families and people who don't like to be surprised at the end of the meal," he says. Costs at the two concepts balance out: McGeoch says food costs run about 28% of sales in the cafeterias and 36% at Sadie's, but labor costs are 24% and 16%.

Morrison opened its first Sadie's in late 1987. There are now 12 Sadie's, and though the company has no growth target for the concept in fiscal '90, McGeoch says it may offer Morrison a way around Northerners' distaste for cafeterias.

400: CAFETERIAS

Buffets may open up new geographic markets— if higher food costs can be controlled.

FURR'S/BISHOP'S CAFETERIAS $272.8MM
"In this business, it's innovate or die," says Richard Lahvic, vice president of marketing for Furr's/Bishop's Cafeterias L.P., which operates 157 outlets in the Midwest and Southwest. What is new is less the menu than the pricing policy: Customers at 90 Furr's can now choose between dining a la carte and buffet-style in the same facility. The all-you-can-eat option includes all but a few items on the cafeteria menu and costs about $5.29 at lunch and dinner. That compares to a $4.58 check for the average cafeteria customer. The options help build traffic, and the buffet increases check averages.

LUBY'S CAFETERIAS $262MM
Luby's began testing takeout in September 1987 and was so pleased that about 20 of the chain's 117 units now have dedicated takeout counters, with another 20 under construction or proposal. (The rest offer takeout from the service line.)

Now the company is testing a modified drive-in system in a unit in its San Antonio, Texas hometown. Customers park in six designated spaces and place orders by speaker phone, wait in their cars for a server to call them, and pick up their orders at a drive-thru window. Average check per person is $4.53; average unit volumes are $2.53 million.

OLD COUNTRY BUFFETS $79.8MM
Founded in 1984 by alumni of the King's Table buffet chain, this Midwesterner has about half its 60 units in Wisconsin, Minnesota, Illinois and Ohio. Hostesses pour the coffee, but the patrons do everything else to serve themselves from hot and cold food bars, for an average of $4.50 at lunch and $6 at dinner. A discount-card program draws seniors, says Marketing Coordinator Dawn Ammann, and since its establishment the company has fed children ages 2 to 10 by weight: 40 cents for every pound the child weighs.

S&S CAFETERIAS $30MM
Fifteen months ago, Macon, Ga.-based Smith and Sons Foods saw an opportunity to b[illegible] sales in six of their 19 cafeterias with the addition of a dedicated takeout space. The result, the Great American Take Out Shop, has been so successful that Vice President C. E. Johnson says the company will add it to seven more cafeterias this year. The spaces, each with a separate entrance and register, now contribute 20% of the monthly sales volume in the six stores.

—*B.Q.*

LEADING CAFETERIA COMPANIES

1 **MORRISON FAMILY DINING DIVISION (68)**
Sales: $323MM Units: 170

2 **FURR'S/BISHOP'S CAFETERIAS, L.P. (77)**
Sales: $272.8MM Units: 157

3 **LUBY'S CAFETERIAS INC. (84)**
Sales: $262MM Units: 117

4 **PICCADILLY CAFETERIAS INC. (89)**
Sales: $241.7MM* Units: 132

5 **WYATT CAFETERIAS INC. (112)**
Sales: $189MM Units: 120

6 **OLD COUNTRY BUFFETS (200)**
Sales: $79.8MM Units: 60

7 **INTERNATIONAL KING'S TABLE (203)**
Sales: $78MM Units: 87

8 **K&W CAFETERIAS (270)**
Sales: $50.2MM Units: 21

9 **MCL CAFETERIAS (284)**
Sales: $47MM Units: 27

10 **S&S CAFETERIAS (367)**
Sales: $30MM Units: 19

11 **ROYAL FORK BUFFET RESTAURANTS (381)**
Sales: $28MM Units: 16

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In selected markets, particularly among young families, chains hope to provide quantity without sacrificing food quality.

For information Pennsylvania Mushroom circle 116 →

400: RETAIL/C-STORES

Deli-takeout has become a mainstay in retail foodservice. Menus play up salads, seafood, grilled items.

RETAIL, C-STORES WEIGH FOODSERVICE OPTIONS

To serve or not to serve? Giants decide while smaller companies add healthful items and takeout counters.

Retail foodservice appears to be in a state of flux. J.C. Penney and The May Co. are following the lead of Chicago's Carson, Pirie, Scott & Co. and greatly de-emphasizing foodservice. On the other hand, retail giant Sears has begun to experiment with 13 in-store restaurants.

Also following the expansion trail is Carter Hawley Hale, which reports a new boom in foodservice, with restaurants showing double-digit sales increases, according to John Mueller, foodservice director of the Los Angeles-based company.

Convenience stores face financial struggles, the magnitude of which has put foodservice on a back burner. Segment-leader Southland is still paying down debt incurred in its 1987 leveraged buyout. The Dallas-based company does not expect to turn a profit until 1991. Convenient Food Mart, Rosemont, Ill., is coping with hefty financial losses and disgruntled franchisees. Circle K Corp., whose foodservice vice president left the company last year, is on the block.

THE SOUTHLAND CORP. $701MM

Instead of building more outlets to achieve growth, Southland will try to increase sales at its 7-Eleven operations. Honing and changing menus is an ongoing process. Last year's only new items were pizza and doughnuts. The company is promoting its "Big Bite" and "Super Big Bite" hot dogs by emphasizing a brand-name supplier.

K MART $342.6MM

The retail discount giant is in an expansive mood, planning to refurbish smaller stores and equip them with delis. An estimated 40 to 50 renovations are scheduled for this year.

Foodservice operations in newer stores will be positioned near the front entrance for more visibility. The 1,145-square-foot, 34-seat restaurants, equipped with grills, fryers, and self-service coffee and soft-drink bars, will include a takeout deli for sandwiches, gourmet cookies and frozen carbonated beverages.

400: RETAIL/C-STORES

LEADING C-STORE COMPANIES

1 **THE SOUTHLAND CORP. (34)**
Sales: $701MM* Units: 7,200

2 **CIRCLE K CORP. (65)**
Sales: $263.4MM* Units: 4,600

3 **CONVENIENT FOOD MARTS (198)**
Sales: $80.0MM Units: 1,282

LEADING RETAIL COMPANIES

1 **K MART CORP. (65)**
Sales: $342.6MM Units: 1,621

2 **F.W. WOOLWORTH (136)**
Sales: $144MM Units: 750

3 **THE MAY CO. (229)**
Sales: $66MM* Units: 395*

4 **McCRORY STORES (247)**
Sales: $56.5MM Units: 326

5 **TARGET STORES INC. (251)**
Sales: $55MM* Units: 350

6 **DAYTON HUDSON DEPARTMENT STORE CO. (307)**
Sales: $40MM* Units: 58

7 **FAIR LANES INC. (343)**
Sales: $34.9MM Units: 110

8 **CARTER HAWLEY HALE STORES INC. (393)**
Sales: $26MM Units: 68

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Dayton Hudson's "Chickery" concept offers entrees made with boneless, skinless char-broiled chicken.

F.W. WOOLWORTH **$144MM**
The original "five-and-dimes" are looking to convenience foods to curb labor costs and still retain quality. Units are actively pursuing the untapped children's market as a way to lure adults to foodservice operations.

Woolworth's top seller is that old lunchroom stalwart, the meat-loaf dinner. The company says it is seriously looking at lighter, more healthful food offerings, particularly products low in cholesterol and sodium.

McCRORY STORES **$56.5MM**
Breakfast is an important segment in McCrory's Kress, NewBerry's and H.L. Green stores. Monthly promotions focusing on that daypart, as well as dessert specials, have been successful.

Homemade soup is a consistent best seller. Fresh-dough pizza and a hot dog with "all the fixings" are being tested in a handful of prototype units. A few outlets also are testing yogurt bars. In addition, mobile carts have been designed for use in stores with no foodservice operations. About 30 carts will be put into different locations by the end of the year.

DAYTON HUDSON **$40MM**
In response to customer demand, the Marketplace, Dayton Hudson's retail carryout restaurant, will list cholesterol, sodium and calorie counts for seafood, pasta and stir-fries.

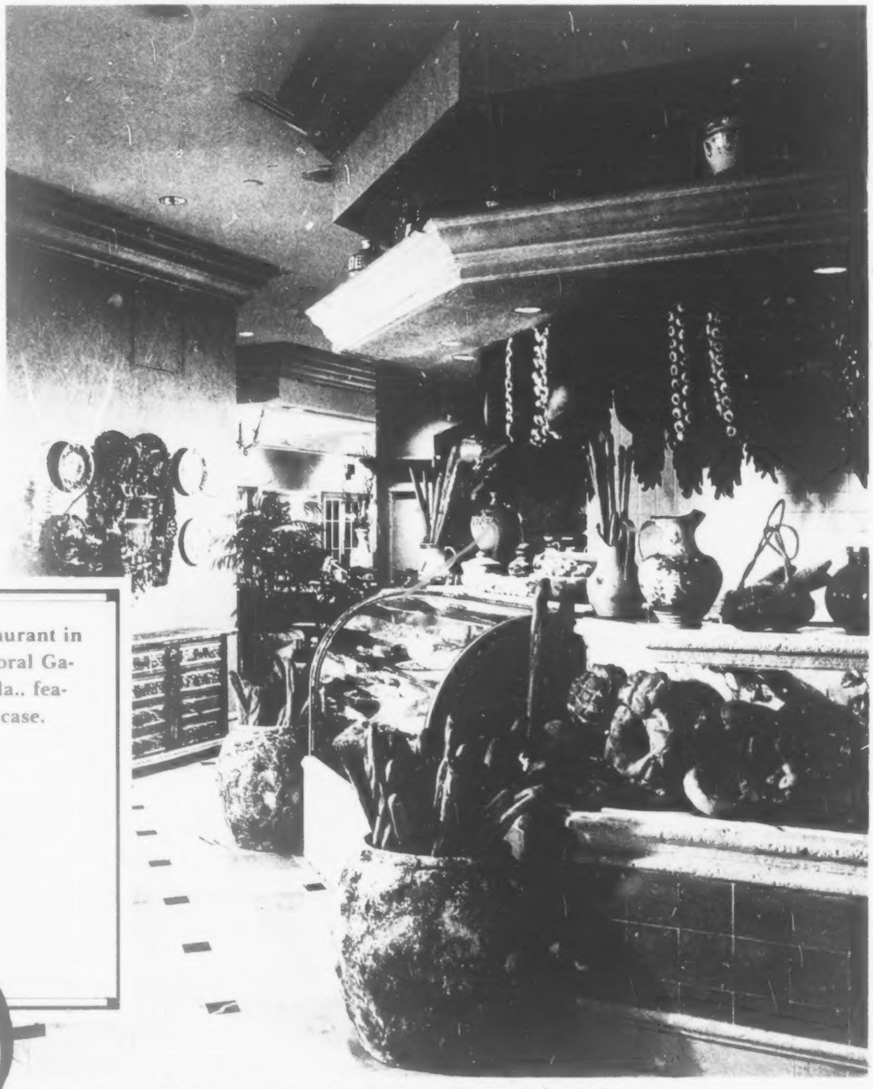
"Chickery," a line of boneless, skinless, char-broiled chicken breast offerings, is being tested in two units. The menu, which changes daily, includes selections such as chicken with wild rice and chicken salads.

FAIR LANES **$34.9MM**
Fair Lanes snack shops, which serve up the usual hamburger, hot dog and fries fare, have added chicken wings to the menu. This year, five operations added an all-you-can-eat buffet at breakfast and dinner. The company's chain of nine family-style English Bake Shops features fried chicken, which accounts for 30% of lunch and dinner sales, and 80% of takeout (30% of sales).

CARTER HAWLEY HALE **$26MM**
Carter Hawley Hale is looking for an alternative to full service to combat high labor costs. Possibilities include a limited-service operation wherein customers go through a short line, put in their order, and a waiter brings it to the table. Menu plans call for more soup and salad bars. *—B.M.D.*

Menu innovations in convenience stores have been limited. This year's only new additions are fresh doughnuts and pizza.

400: HOTEL DINING



The Two Sisters restaurant in the Hyatt Regency Coral Gables, Coral Gables, Fla., features a tapas display case.

SIGNATURE CONCEPTS GAIN IN POPULARITY

Hotel restaurateurs say a strong restaurant concept is essential for fighting off freestanding competition.

If the prediction of David Zadikoff, vice president of food and beverage, Hyatt Hotels Corp., Chicago, comes to pass, generic hotel restaurants and coffee shops will soon go the way of vibrating hotel beds and coin-operated television sets.

"Generic hotel restaurants are going to die," he says, "to make way for specific signature concepts." Zadikoff says that hotel food and beverage operations must find a workable concept to effectively compete with the proliferation of local restaurants. While breakfast will remain in its traditional form, hotel lunches and dinners must become more exciting to capture the local market as well as the guest.

Concepts also are an important consideration at the Stouffer Hotel Co., Solon, Ohio. "We have changed all of our old-fashioned, fine dining rooms to concept restaurants," says Giulio Comacchio, vice president of food and beverage. Some of the concepts used at Stouffer hotels include French brasseries, Italian bistros and seafood restaurants. "We are trying to manage our restaurants with an entrepreneurial spirit, like an independent operator would," he says.

The concepts used in Radisson hotel restaurants are working well, says Don Clawson, vice president of food and beverage, Radisson Hotel Corp., Minneapolis. In fact, one seafood theme restaurant is so popular, especially for breakfast, a wall will be torn down so that the restaurant can annex the adjacent cafe, which is open all day. Clawson declined to name the location.

A theme restaurant that is working well for Princess Hotels International, New York, is the Marquesa in the Scottsdale Princess, Scottsdale, Ariz. The cuisine is Catalan, from northern Spain. Since the menu was introduced in place of the former gourmet French menu, business has increased to the point that the signature restaurant is now open for lunch during the hotel's high season.

After sending a culinary team to Hong Kong to scout restaurants and bring back some cooking talent, Caesars Palace in Las Vegas opened the Empress Court. The 125-seat restaurant features a combination of popular Chinese cuisines, specializing in fresh seafood.

Customer food preferences vary from chain to chain. Hyatt's Zadikoff says that his chain's customers are eating lighter and more healthful meals; they want less butter and fewer sauces. Clawson, on the other hand, says that Radisson customers are buying more beef than ever and that chicken and other foods perceived as healthful are not popular.

Whatever the cuisine, hotel chefs should not experiment with new dishes at the expense of taste, says Anton Piringer, executive vice president, Fairmont Hotel Management Co., San Francisco. He cautions against serving meals that are too far out, citing an Austrian expression, "What the farmer doesn't know, he doesn't eat."

HYATT HOTELS CORP. $796.2MM

Japengo, Hyatt's latest restaurant concept, opens in La Jolla, Calif. later this year. This Japanese-style bistro will offer Pan-Asian and regional California dishes. A free-standing restaurant, Japengo will be 500 yards away from the hotel. While the concept of Japengo was researched for a year and a half, Hyatt will wait to see how business goes before taking the concept to other hotels.

All restaurant concepts of the Radisson Hotel Corp. offer guests a variety of drinks and appetizers.

400: HOTEL DINING

LEADING HOTEL COMPANIES

1 THE SHERATON CORP. (13)
Sales: $1,600MM Units: 1750

2 MARRIOTT LODGING (18)
Sales: $1,218.3MM* Units: 585*

3 HILTON HOTELS CORP. (20)
Sales: $1,054MM Units: 1,185*

4 HYATT HOTELS CORP. (27)
Sales: $796.2MM* Units: 320

5 HOLIDAY INN HOTELS (32)
Sales: $751.3MM* Units: 1,700

6 RAMADA HOTELS (42)
Sales: $547.3MM* Units: 790*

7 WESTIN HOTELS (49)
Sales: $427.4MM* Units: 261*

8 INTER-CONTINENTAL HOTELS CORP. (52)
Sales: $420MM** Units: 424**

9 QUALITY INNS (55)
Sales: $376MM Units: 815

10 DAYS INNS (59)
Sales: $370.8MM Units: 698

11 RADISSON HOTELS (79)
Sales: $268MM Units: 340

12 HYATT INTL. (106)
Sales: $206.3MM Units: 207*

13 BALLY HOTELS (114)
Sales: $187.6MM* Units: 29*

14 STOUFFER HOTEL CO. (117)
Sales: $178.4MM* Units: 96

15 OMNI HOTELS (128)
Sales: $156MM Units: 86*

16 EMBASSY SUITES (134)
Sales: $150MM Units: 91

continued on page 178

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Radisson has started a promotional package to increase sales of coffee and after-dinner drinks.

Hyatt recently finished a 2½-month promotion called "Pasta, Pesto, Primavera," the first of what will become a series of nationwide ethnic food promotions. With few exceptions, all Hyatt three-meal restaurants offered a variety of Italian appetizers, entrees, desserts and wines. A French bistro promotion debuts this fall.

To attract families to Hyatt hotels, the company has begun the Camp Hyatt program of supervised children's activities at all hotels and resorts in the U.S., Canada and the Caribbean. A specially priced children's menu offers meals, both in three-meal restaurants and through room service, for no more than $3 for breakfast and $5 for lunch and dinner. All regular menu items are available in half-price children's portions.

RADISSON HOTEL CORP. $268MM

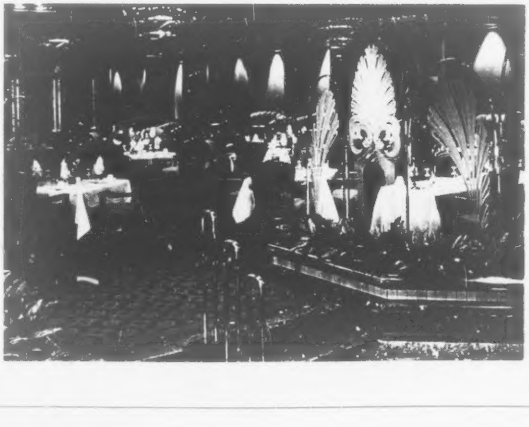
Radisson has developed effective programs that have significantly increased room service sales. A systemwide pizza program, Napolizza, gives guests the impression that they are getting their food from an outside business that specializes in pizza. Marketed with the claim "29 minutes or it's free," the pizza is ordered from a telephone number different from room service and is delivered by a delivery person wearing a special jacket and baseball cap, carrying a Napolizza pizza box and warmer packet. The five hotels that have used the program for some time average 25 to 30 pizzas per day, each at 70% profitability.

Radisson's room service breakfast business has increased 22% over the same period a year ago, since revamping the door knob hanging card with a colorful graphic and a tie-in to the *Wall Street Journal*. Upgraded service and faster delivery guarantees than in the past also contributed to the increase.

In its restaurants, Radisson introduced "Pasta Power," a program touting the healthfulness of pasta. The program originated in 25 hotels, with another dozen or so adding it later. Sales in these restaurants showed a 7% to 8% increase over the same period last year.

STOUFFER HOTEL CO. $178.4MM

Stouffer Hotels are tying each of their fine dining restaurants to strong concepts. Counting on Mediterranean cuisine as the next big dining trend, the company is opening Corniche at the Stouffer Esmeralda Resort in Indian Wells, Calif., later this year. Mediterra-



Each of Red Lion's Portland, Ore.-area hotels, including the Red Lion Inn Lloyd Center, recently introduced new menus.

400: HOTEL DINING

LEADING HOTEL COMPANIES

17 RITZ-CARLTON CO. (140)
Sales: $142MM Units: 40

18 RED LION INNC (142)
Sales: $140MM Units: 127

19 CAESARS WORLD INC. (146)
Sales: $134.2MM Units: 37

20 HARRAH'S (148)
Sales: $132.5MM Units: 50*

21 DOUBLETREE HOTELS (164)
Sales: $105MM Units: 90

22 TRUSTHOUSE FORTE HOTELS (175)
Sales: $93.1MM Units: 106

23 REGISTRY CORP. (178)
Sales: $92MM Units: 37

24 LOEWS HOTELS (179)
Sales: $90.6MM Units: 74

25 RESORTS INTL. (186)
Sales: $85MM Units: 23

26 PRINCESS HOTELS (195)
Sales: $80.7MM* Units: 34

27 CIRCUS CIRCUS (201)
Sales: $79.3MM Units: 15*

28 PRIME MOTOR INNS (208)
Sales: $75MM** Units: 75

29 FAIRMONT HOTEL CO. (212)
Sales: $73MM Units: 21

30 RAMADA GAMING (223)
Sales: $68.5MM Units: 15*

31 POINTE RESORTS (255)
Sales: $53MM* Units: 11

32 THE BOYD GROUP (257)
Sales: $52.8MM Units: 27

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. *R&I estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

Hyatt will open a Japanese bistro, serving Pacific Rim and California cuisine, by year's end.

nean cuisine avoids heavy sauces, instead using fresh herbs and spices for seasoning. Foods are usually roasted, sauteed, grilled or poached.

The Stouffer Tower City Plaza Hotel in Cleveland, opened Shucker's Tavern and Seafood Bar in April. In addition to the seafood raw bar, Shucker's offers patrons a hot and cold buffet, which includes soups, salads and desserts.

Stouffer hotel restaurants have introduced two special promotions this year. One offered guests a special menu composed of 10 to 12 Hawaiian dishes. A three-week asparagus promotion featured a variety of appetizers and entrees such as asparagus with sauteed salmon scallopini and asparagus with buffalo mozzarella.

RED LION INNS $140MM

To stave off competition, all of the restaurants in the the five Portland, Ore., area Red Lion hotels introduced new menus. In the past, menus at all of the restaurants were rather similar; each operation now offers a different menu with a different price range.

To advertise the change in fare at the Portland restaurants, the hotels relied on local advertising consisting of newspaper ads, mini-menus sent to local customers and billboards featuring Red Lion's logo and the headline, "This Lion Would Like To Have You For Dinner."

FAIRMONT HOTEL CO. $73MM

New concepts and renovations are the name of the game at several Fairmont Hotel restaurants. Bella Voce, the new Italian restaurant in the San Francisco property, takes the place formerly held by the Brasserie. Customers sample the new menu as employees sing opera, operetta and Broadway melodies. Business for the first four months of 1989 is two and a half times that of the Brasserie during the same period last year.

The Pyramid restaurant in the Dallas property and the Sazerac in New Orleans have both been remodeled. While both were updated, the goal was not to lose the traditional ambiance both offered. With the help of new menu and furnishings, Sazerac's business has increased 30% to 40% over the same time last year.

The five Fairmont hotels have helped keep the supper club tradition alive for many years. However, when construction begins later this year on a new Washington, D.C., property, no supper club will be included.

—Rob Townsend

Caesars' Atlantic City casino hotel recently replaced Milt & Sonny's Deli with an Italian restaurant, Cafe Roma.

400: EDUCATION

Some schools offer students a nutrition profile for each item they order.

EYE APPEAL HELPS SELL NUTRITIOUS MENUS

Food bar displays, garnishes and promotions tempt students to choose nutritionally sound dishes.

Jolted by a recent mandate from the Surgeon General and the U.S. Department of Agriculture to cut fat, salt and sugar in school food, education foodservice directors have been busy during the past year. They are developing new menus to increase dietary choices, while making each choice a nutritionally sound one.

Sometimes all it takes is a change in appearance to make a "low-cal" dish seem more appealing. Greater use of promotions, special garniture, and serving containers that resemble those used in fast-food operations boost the eye appeal of nutritious dishes.

Students' reactions are still mixed, report foodservice directors. "Most students aren't crazy about the vegetarian entrees, the ones they know are supposed to be good for them," says Charles Gagliano, manager of university foodservice and housing for Michigan State University, East Lansing, Mich. "What the students seem to enjoy more are the ethnic foods that are really variations of what ethnic chain restaurants offer." Oriental stir-fry, Mexican burritos and taco salads are popular.

As more students eat lunch on the go, the appeal of taco, salad and food bars remains high. Perhaps that is because the lines move faster than one long cafeteria queue, or because the meal seems more like what the offerings of a fast-food restaurant.

Many school foodservice administrators make a point of testing new items on students, not fellow administrators or faculty. "We started offering free lunches to students on 'Test Days,'" says Dorothy Pannell, foodservice director of Fairfax County Public Schools. "We ask students to fill out evaluation forms, and only those menu items ranked as 'outstanding' or 'very good' are added to our regular menus."

Pannell notes that menus are being adapted to conform with guidelines for a healthy diet issued by the Surgeon General and the USDA. She and her team assemble a nutrition profile for each item on the school lunch menu, and print the

400: EDUCATION

LEADERS IN EDUCATIO
FOODSERVICE

1	**USDA FOOD & NUTRITION SERV.**	Sales: $3,035.8MM†	Units: 89,791
2	**N.Y. CITY BD. OF ED. (90)**	Sales: $241.6MM†**	Units: 1,238
3	**LOS ANGELES SCHOOLS (116)**	Sales: $180.6MM†*	Units: 580
4	**CHICAGO BD. OF ED. (150)**	Sales: 128.0MM†*	Units: 587
5	**DADE CTY. SCHOOLS (243)**	Sales: $58.1MM†*	Units: 290
6	**HOUSTON INDEP. SCHOOL DIST. (245)**	Sales: $57.4†*	Units: 227
7	**SCHOOL DIST. OF PHILADELPHIA (281)**	Sales: $48.2MM†**	Units: 262
8	**HAWAII SCHOOLS (295)**	Sales: $42.6MM†*	Units: 227
9	**HILLSBOROUGH CTY. SCHOOL BD. (312)**	Sales: $39.6MM†**	Units: 146
10	**DALLAS SCHOOLS (336)**	Sales: $35.0MM†**	Units: 184
11	**DETROIT SCHOOLS (351)**	Sales: $33.6MM†**	Units: 270
12	**FAIRFAX CTY. SCHOOLS (366)**	Sales: $30.2MM†**	Units: 228
13	**MICHIGAN STATE (372)**	Sales: 29.4MM†**	Units: 35

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Schools and colleges expand market to include day-care centers and senior centers.

data on cards. "We hand out the cards as students pass through the end of the line," Pannell says. "They take the information back to their tables and figure out how many calories are in the foods they chose."

Plans to offer similar nutrition data to students are under way in the Detroit Public Schools. "We just finished selecting the nutrition analysis software that will help us track dietary profiles of our menus," says Michael Dinan, assistant foodservice director.

William McClellan Jr., foodservice director of the Hillsborough County (Tampa, Fla.) schools, is redesigning menus so that children obtain no more than 30% of daily calories from fat. He notes that even though the changes are stringent (no fried foods, more vegetarian dishes such as meatless pizza), student participation has dropped by only 4%.

Even that small drop in student participation did not have much of an impact on the bottom line, because foodservice operations have expanded to serve day-care centers (including formula food for 6-month-old babies), senior centers, foster grandparents, detention centers, juvenile homes, and several community action agencies.

Directors nationwide are becoming more aggressive in finding new opportunities for foodservice, when faced with dwindling student enrollments. Perhaps offering healthier eating options will increase the appeal of contract foodservice to other organizations, too.

HILLSBOROUGH SCHOOLS $39.6MM

All but five schools are on the breakfast program. Of the breakfast participants, 85% to 88% are students eligible for reduced-fee food. Outside the schools, foodservice ranges from day-care centers to senior-care centers, with special diets for the elderly.

In light of USDA guidelines, lowfat, low-sodium, and low-cholesterol items are being introduced. The move is away from breaded items as well, since so many use hydrogenated oils as binders.

DETROIT PUBLIC SCHOOLS $33.6MM

Participation in the school breakfast program is growing, even as the menus change to meet dietary guidelines. All "frosted" cereals were cut out, canned fruit salad in syrup was replaced with fresh, whole fruit, and any items listing sugar as the first ingredient were cut. Roughly half the students now eat school breakfasts. Next year, Detroit Public Schools will offer fruit, juice, cereal plus bread or a 1-ounce serving of protein, such as bacon or egg. Continuing the trend of "offer vs. serve," Detroit schools switched to offering two or three entrees every day, plus a choice of chef's salad, pizza, or a deli sandwich. Before the choice program, high school participation hovered at 25%; since then, participation has risen to 75%.

FAIRFAX COUNTY SCHOOLS $30.2MM

School foodservice directors and teachers collaborated in a highly successful reading program in this Northern Virginia school district. Each class set a goal for hours of reading completed each month. If every member of the class met the goal, then the class would be eligible for a special pizza party lunch.

The program received rave reviews from parents, who worked with children to meet reading goals and certify that the children had done so. Parental involvement in the decoration and serving of the special pizza party reduced the need for extra labor from the foodservice department. At one high school, participation was 100%.

MICHIGAN STATE UNIVERSITY $29.4MM

Menu offerings here are influenced by the fact that two-thirds of students participating in MSU's foodservice meal plan are women. Concern about fat intakes caused foodservice to switch from frying to oven-baking for chicken and fish. The average cost per student per day for the 20-meal plan is now $7.20.

This year, MSU will remodel a dining hall that seats 650. It is MSU's first dining facility remodelling in a little over two years. —*Lucy Saunders*

400: MILITARY

T/ R
PUSH
PUSH

Anchors Ole, at the Naval Training Center in Orlando, Fla., a signature concept that is gaining in popularity among military foodservice administrators and customers.

MILITARY FOODSERVICES UNDER FINANCIAL GUN

As base closings and budget cuts wreak havoc, foodservices will become more efficient and commercial.

While the battles are being waged in Washington, D.C., the wounded will be scattered all across the country. A bipartisan commission has recommended a plan to close 86 military bases, partly close five others and consolidate 54 more. The plan, which is likely to be argued all summer, would save $693.6 million a year after five years. The action is good for the budget, but not so good for the personnel on the bases and for local business people. Fewer facilities will mean fewer dollars spent in the area restaurants.

This also means hard times for foodservices because they, too, will be closed or consolidated. The heat is on, as well, to decrease or even eliminate subsidies in the "commercial" operations on bases. For example, recent legislation by the Congress has removed the appropriated fund subsidy that officers' clubs have enjoyed. Except for clubs overseas or in remote areas, direct subsidies will end on Oct. 1, 1990. Financial support will be eliminated gradually during fiscal 1989 and 1990. Without the appropriated fund distribution, 80% of Navy clubs, for example, would become money losers. Not only must they become more self-sufficient, but these facilities are being asked to contribute more to other departments that are also facing cuts and have no sources of income.

This is being accomplished in a variety of ways. For example, the services are preparing a joint service letter to the Secretary of Defense requesting permission for clubs to offer off-base catering for club patrons. And the Norfolk, Va., Naval Base has signed a services contract with Harbotage Inc., a Dallas-based hospitality services management company, to open and operate a sports-theme club on the base. To be called the "Norfolk Original Sports Club," the operation will be similar to the successful "Baltimore Original Sports Bar" which is part of a dining and entertainment complex operated by the company in Baltimore, Md. The Navy expects to

400: MILITARY

LEADING MILITARY ORGANIZATIONS

1 **U.S. ARMY TROOP SUPPORT AGENCY (14)**
Sales: $1,332.8MM† Units: 995

2 **U.S. NAVY FOOD SERVICE SYSTEMS OFFICE (24)**
Sales: $896.0MM**† Units: 684

3 **U.S. ARMY COMMUNITY & FAMILY SUPPORT CENTERS (29)**
Sales: $772.0MM† Units: 624

4 **ARMY & AIR FORCE EXCHANGE SERVICE (38)**
Sales: $577.9MM† Units: 2,101

5 **U.S. AIR FORCE OPEN MESS SYSTEM (66)**
Sales: $337.4MM† Units: 270

6 **U.S. AIR FORCE ENGINEERING AND SERVICES CTR. (71)**
Sales: $298.8MM† Units: 597

7 **VETERANS ADMINISTRATION (86)**
Sales: $258.2MM† Units: 172

8 **U.S. MARINE CORPS. (91)**
Sales: $240.0MM**† Units: 107

9 **U.S. NAVY OFFICER'S AND ENLISTED CLUB SYSTEM (125)**
Sales: $164.0MM† Units: 276

10 **NAVY RESALE AND SERVICES SUPPORT OFFICE (156)**
Sales: $117.6MM† Units: 581

11 **VETERANS CANTEEN SERVICE (242)**
Sales: $59.9MM† Units: 172

12 **U.S. ARMY MEDICAL DEPARTMENT (253)**
Sales: $54.6MM† Units: 51

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The services are requesting permission for clubs to offer off-base catering for club patrons.

install similar clubs on other bases.

Although morale is a little low, according to some sources, and it is taking time and effort to integrate operations, the goal of foodservices continues to be to increase the healthfulness and variety of military personnel's meals and update facilities to make them more appealing to a more sophisticated clientele.

U.S. ARMY TROOP SUPPORT $1,332MM†
Although hamburgers and salad bar offerings are the most popular items right now, the Army is testing recipes for vegetables, entrees and desserts that have lower fat and sodium contents. The organization may also add more bran products and whole grain breads and muffins to menus. Items the Army has recently introduced include Cobb salad, herbed baked fish, gyro sandwiches, vegetable stir-fry, moussaka and Chinese five-spice chicken.

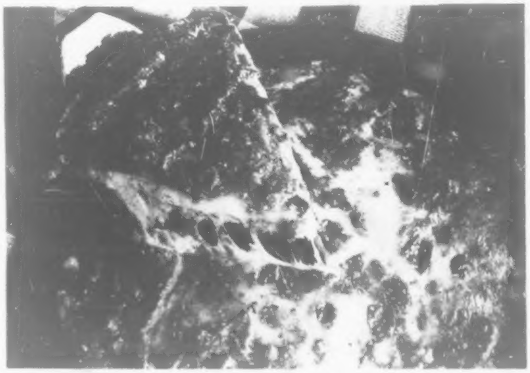
ARMY/AIR FORCE EXCHANGE $577.9MM†
Expanding theme restaurants with identifying names, menus and decor packages is a top priority with this group. Popular menu items continue to be hamburgers and cheeseburgers. The organization is testing Mexican food concepts and plans to introduce more Mexican items during this year. Special promotions include a "Lite Lunch" Soup & Sandwich.

AIR FORCE ENGINEERING $298.8MM†
The emphasis this year is on increased cross training for the recently merged foodservice and services career field; review of operational rations requirements; and completion of nutritional analysis of U.S. Air Force Worldwide menu. The most popular menu item is lasagna. The organization is now testing the soup, cereal, pasta and sandwich sections of the Armed Forces Recipes.

U.S. MARINE CORPS $240MM†**
USMC finds fried chicken and burgers to be the most popular fare. In 1988, the Corps added low-fat yogurt, fresh snow pea pods, kiwifruit, mangoes and thick sliced bread ("Texas Toast") to menus. The Corps is testing dehydrated egg mix and canned white bread (for field use).

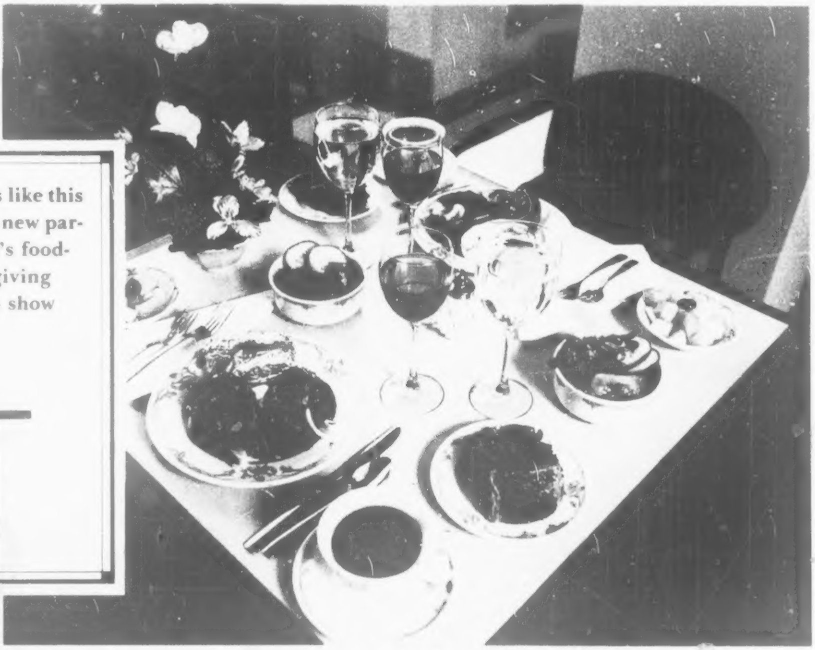
U.S. NAVY CLUB SYSTEM $164MM†
Popular menu items in Navy clubs reflect private sector trends. Ethnic foods, especially Mexican, are hot. Many clubs have started pizza delivery service.

—*Susie Stephenson*



Pizza and hamburgers remain popular items with military personnel, even though commands are introducing more healthful menu items.

400: HEALTH CARE



Special meal occasions like this celebration dinner for new parents raise the hospital's foodservice profile while giving employees a chance to show what they can do.

HEALTH-CARE HEADACHE: TO TEND PROFIT OR COST?

Most successful facilities are offering consumers more varied, but also more cost-efficient, foodservice choices.

These are far from the best of times for healthcare giants. Just as the federal government has mandated tighter controls under DRG formulas to lower costs, Wall Street has mandated downsizing proprietary hospital and long-term-care chains to increase profitability.

In hospital foodservice departments, responses range from tightening or centralizing dietary controls at some healthcare chains to examining the labor-saving possibilities of new systemwide cook-chill systems by state mental health systems in Pennsylvania, Texas and Illinois.

Today's healthcare climate leaves less room than ever for foodservice-as-usual thinking. Cost control is an absolute "must"; actual profits are preferable.

BEVERLY ENTERPRISES $268.8MM

Nursing homes have become the back door for hospitals discharging patients early under DRGs. "In the past five years, we've seen a great deal more critical-care patients," explains Laura Sutton, corporate menu coordinator for Beverly Enterprises.

"Not only does today's nursing home see eight to 10 patients on intravenous-tube feeding, compared to perhaps one per home previously, but 30% to 40% of patients in many facilities require pureed foods."

Sutton's basic assignment is the centralization and computerization of menu planning for the giant nationwide nursing-home chain. She works with five menu committees of consulting dietitians around the country to create regional menus.

The result: For each region, two menu cycles per year, each updated once to take advantage of seasonal fruits and vegetables.

Mainstream food trends mean little to nursing-home residents, whose food habits were formed 60 to 80 years ago, so menus at Beverly's operations have been forced to stick fairly close to the traditional. "They don't like fish, except in the South," Sutton says. "We tried pizza and tacos; they didn't even know what they were."

400: HEALTH CARE

LEADING HEALTH-CARE COMPANIES

1 **BEVERLY ENTERPRISES (78)**
Sales: $268.8†MM
Units: 1,050

2 **HOSPITAL CORP. OF AMERICA (97)**
Sales: $226.8*†MM Units: 300

3 **NATIONAL MEDICAL ENTERPRISES (99)**
Sales: $226*†MM Units: 657

4 **HUMANA INC. (183)**
Sales: $88.8†MM Units: 82

5 **ADVENTIST HEALTH (206)**
Sales: $75.8*† Units: 161

6 **DAUGHTERS OF CHARITY HEALTH SYSTEMS (209)**
Sales: $75*†MM Units: 32

7 **NATIONAL HERITAGE (214)**
Sales: $71.4†MM Units: 221

8 **HEALTH TRUST (217)**
Sales: $69.8*†MM Units: 104

9 **NEW YORK CITY HEALTH & HOSPITALS CORP. (230)**
Sales: $65.4*†MM Units: 16

10 **MANOR HEALTH CARE (248)**
Sales: $56†MM Units: 139

11 **AMERICAN MEDICAL (278)**
Sales: $49.3†MM Units: 55

12 **EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY (287)**
Sales: $45.8*†MM Units: 201

13 **HEALTH CARE & RETIREMENT (293)**
Sales: $43.1†MM Units: 130

14 **UNICARE (330)**
Sales: $36.4†MM Units: 143

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Meals on wheels, room service, takeout and self-operated vending are all revenue boosters.

NATIONAL MEDICAL ENT. $226MM
"We are providing core services related to hospital care," explains Trudi McComb, director of foodservice at National Medical Enterprises, "except when it's directly related to marketing activities, such as our wellness or weight-loss programs."

But smart hospital marketing today inevitably includes devising ways to make institutional dining more palatable to consumers with the power of choice. Enhancements of current service at NME hospitals include such options as candlelight dining, VIP service and even guest-room service for overnight hospital visitors. "In some cases, we may even have a chef coming on board," McComb adds.

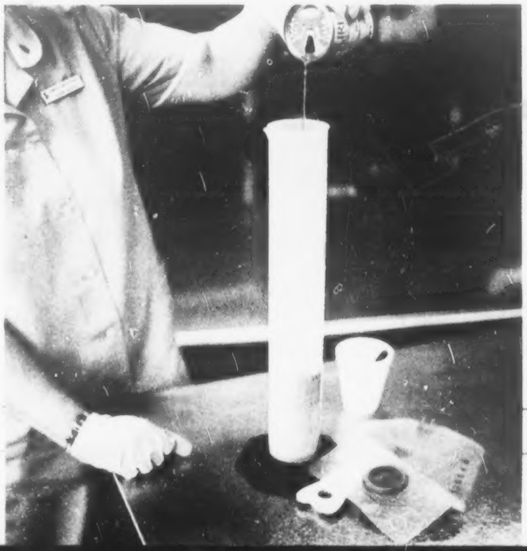
In spite of these and other efforts to take hospital dining upmarket, cost containment is the primary thrust at NME, and that means a streamlining of menus and fewer selections. "For employee foodservice, we're looking at vending and convenience foods as possible alternatives," she points out, although take-home food for sale to employees also has a place.

DAUGHTERS OF CHARITY $75MM
Many of the same changes in foodservice are being made by the Daughters of Charity foodservice directors. Lynn Schaefer, the organization's foodservice consultant, and her two-person staff deal with directors, negotiate purchasing contracts and orchestrate food and supplies distribution. They also provide consulting on productivity, act as networking catalysts, do some installation design work and, in general, are expected "to walk on water," if necessary.

In her work, Schaefer says she is seeing hospitals serve many more non-employee meals and even operate restaurants or provide foodservices for doctors' office buildings. Carryout foods are another growth area.

UNICARE HEALTH FACILITIES $36.4MM
Unicare's innovations parallel what is happening in hospitals, focusing on food as a potential profit center. Wayne Goldman, corporate director of foodservice operations, reports that meals-on-wheels programs add 20,000 additional meals per week from existing kitchen facilities and personnel. Also encouraged: intrapreneurship. "One energetic kitchen supervisor is producing sandwiches for the local vending company—and delivering a better quality product," he says.

—Julie Woodman



Presentation is everything: One of the meals in a liquid diet is harmlessly colored to make it more palatable to the patient.

400: CONTRACTORS

The Manny Hanny, a grilled corned beef sandwich, is one of 15 new sandwiches offered in The Wood Co.'s Grills & Frills program.

CONTRACT GIANTS PLAY BRAND-NAME GAME

Signature food concepts, nutrition programs and selling consumer brands to contract clients strong trends in '89.

A shift to brand names is the most recent example of the retail mentality that pervades contract foodservice. In addition to establishing their own identity through homegrown concepts, such as Marriott's Grande Marketplace, ARA's Choices menu series and the Wood Co.'s Today's Taste for Today's Lifestyles program, several of the larger contractors are entering into licensing agreements with well-known retail chains.

ARA is introducing Dunkin' Donuts mini-cases into business and industry accounts, Pizza Hut kiosks are setting up shop at many Marriott accounts, and McDonald's and Morrison have forged an agreement to approach specific acute-care hospital locations together and present a foodservice package. In a different approach altogether, daka purchased the San Antonio-based Fuddruckers hamburger chain, but whether the chain's concept will be brought into contract accounts in any way is not known.

"The contractors are looking for new ways to grow," says Neil Rever, vice president of Restaurant and Travel Management for the Chemical Bank in New York. "Besides takeovers, I think affiliations between contractors and high-recognition chains will be a strong trend in the near future." Contractors have the potential to become major franchisees of popular chains, he adds. "Not in the sense that they will open a free-standing Burger King or Pizza Hut, but that they will allot space for chains within contract accounts."

Despite the growing trend, contractors' efforts to brand their own products continue to succeed; the process is already paying off with contract foodservice sales representing 10.6% of total "400" sales. Pizza and baked goods lines are the most successful concepts, according to several foodservice contractors, but many cite a growing desire among clients for nutritional items as well.

MARRIOTT **$3,353.4MM**

The Food and Services Management

400: CONTRACTORS

Healthier menus, exercise, stress management play a part in contractors' nutrition programs.

LEADING CONTRACT MANAGEMENT COMPANIES

1 MARRIOTT FOOD SERVICES MGMT. (5)
Sales: $3,353.4MM*†
Units: 2,300*

2 ARA SERVICES INC. (9)
Sales: $2,350MM Units: 2,500

3 CANTEEN CO. (17)
Sales: $1,288.8MM Units: 1,883

4 SERVICE AMERICA (21)
Sales: $1,001MM**
Units: 2,000

5 MORRISON CUSTOM MGMT. (43)
Sales: $531MM Units: 880

6 OGDEN ALLIED (50)
Sales: $425MM Units: 1,725

7 DOBBS INTL. (64)
Sales: $348MM*† Units: 48

8 GREYHOUND FOOD MANAGEMENT INC. (72)
Sales: $290.8* Units: 278

9 SKY CHEFS INC. (73)
Sales: $290.5MM† Units: 40

10 THE SEILER CORP. (108)
Sales: $204.8MM* Units: 400

11 HARRY M. STEVENS (109)
Sales: $200MM Units: 40

12 SERVICEMASTER (110)
Sales: $200MM Units: 260

13 dāka FOOD SERVICE (127)
Sales: $159MM* Units: 337

14 CONCESSION AIR (130)
Sales: $155MM Units: 45

15 SPORTSERVICE CORP. (132)
Sales: $153MM Units: 150

continued on page 200

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division of Washington, D.C.-based Marriott signed an 18-year licensing agreement with Pizza Hut under which 900 kiosks serving the brand-name Personal Pan Pizza will be installed in Marriott foodservice accounts over the next three years. The agreement was signed in January.

As a formal licensee, Marriott will prepare and sell cheese and pepperoni Personal Pan Pizza out of the small but fully equipped kiosks. "We are definitely seeing a call for name brands in our accounts," says Kathy Boyle, spokeswoman for Marriott. A brand-name frozen yogurt and well-known cookie chain also are being examined for possible addition to Marriott account menus.

In the meantime, Marriott's signature branded concepts are doing well. For the second year in a row, 700 Marriott employees and clients were invited to Main Street, the company's marketing show designed to let operators view new foodservice options in person. Eighteen new concepts were introduced, including the Wellness and You program, which addresses nutrition and life style, cancer detection, fitness and exercise. Carte Cafe, featuring four custom-designed carts to offer takeout foods and to help satellite operations, also was introduced. Finally, like many of the large contractors placing renewed emphasis on service, Marriott introduced its new employee-training program, called Respect.

ARA SERVICES $2,350MM

During the next six months, Philadelphia-based ARA Services will experiment with mini-cases (like those seen in convenience stores) of Dunkin' Donuts in 10 to 12 business accounts. Besides the obvious draw of the consumer brand of doughnuts, the mini-cases are ideal for business and industry accounts that lack the space for the contractor's signature baked goods concept, Gretel's Bake Shops.

Several accounts will accommodate both concepts, but the fact that only doughnuts will be sold from the mini-cases not only avoids a potential conflict of interest, but complements the Gretel's line, according to David Hatch, vice president of marketing for the Business, Convention and Personal Dining division.

However, ARA will continue to place the most importance on its own signature brands. Since developing the first of its "retail" concepts six years ago (Itza Pizza), ARA has seen double-digit sales growth in health care, educa-

ARA's branded concepts, such as pizza and baked goods, have helped the contractor achieve double-digit sales increases.

400: CONTRACTORS

LEADING CONTRACT MANAGEMENT COMPANIES

16	**TRUSTHOUSE FORTE FOOD SERVICE INC. (135)**	Sales: $148MM Units: 398
17	**FOOD DIMENSIONS (143)**	Sales: $140MM† Units: 175
18	**THE WOOD CO. (144)**	Sales: $138.7MM Units: 235
19	**CLUB CORP. OF AMERICA (147)**	Sales: $133MM Units: 141
20	**WOMETCO (177)**	Sales: $92MM Units: 1,100*
21	**FOOD CONCEPTS INC. (180)**	Sales: $90MM* Units: 720
22	**GUEST SERVICES INC. (188)**	Sales: $83MM Units: 125
23	**PROFESSIONAL FOOD-SERVICE MGMT. (190)**	Sales: $82MM Units: 142
24	**DELAWARE NORTH (207)**	Sales: $75.4MM Units: 122
25	**TRETTCO INC. (215)**	Sales: $70.6MM† Units: 95
26	**VALLEY FOOD SERVICE CORP. (222)**	Sales: $68.9MM† Units: 110
27	**SANESE SERVICES INC. (237)**	Sales: $60MM Units: 2,000
28	**UNIVERSAL SERVICES (271)**	Sales: $50MM Units: 130
29	**SANDS & CO. INC. (291)**	Sales: $44.4MM†* Units: 825*
30	**SOUTHERN FOODSERVICE MGMT. (294)**	Sales: $43MM†** Units: 71

Note: Numbers in parentheses indicate companies' "400" rankings. Sales figures are for the 1988 calendar or fiscal year; unit figures represent the number of units open as of 1/1/89. *R&I estimate; ** company est.; † commercial equivalent. © 1989 *Restaurants & Institutions*, a Cahners publication.

Takeout is a natural extension of a contractor's branded concepts: packaging, signage build sales.

tion and business and industry accounts as more concepts were added. In '88, a full exhibition of all of the company's foodservice concepts traveled to seven cities throughout the United States.

CANTEEN CORP. $1,288.8MM
Just under two years in the planning, Chicago-based Canteen Corp. will launch a service enhancement program, called The Saturn Standards Series II, in its B&I accounts this summer. The program is unique because it approaches contract foodservice from the service standpoint rather than simply rolling out new food concept modules.

"The problem in this business is that staying abreast of trends is mandatory, but often, by the time we get out all the material out to our manager, the trend could be over," says Harold Ritchie, vice president of marketing and sales for the foodservice division. In an unusual approach, Canteen is concentrating on training. "We're strengthening our service by strengthening our employees. From now on, it is not just business as usual," says Ritchie. Employees will have the resources, knowledge and confidence to act quickly on new trends and try out their creative skills in order to become more responsible for the success of their operations, according to Ritchie.

As part of the plan, managers will be sent to one of Canteen's 17 training centers throughout the country to learn everything from customer relations to food styling. In fact, a food stylist has been hired to teach garnishing and plating techniques developed expressly for Canteen.

MORRISON CUSTOM MGMT. $531MM
Morrison Custom Management is teaming up with McDonald's to make health-care accounts an offer they can't refuse. The two companies have agreed to to approach several acute-care hospitals together to pitch the benefits of having both a full cafeteria and a popular fast-food operation on site. Mobile, Ala.-based Morrison and Oakbrook, Ill.-based McDonald's will keep their respective financial contracts separate and are teaming up only to bring a more attractive foodservice package to the health-care accounts.

"Morrison is one of the leaders in the industry," says Melissa Oakley, supervisor of media relations at McDonald's. "They have over 390 hospital and nursing home contracts and so have the size and experience we're looking for." Oakley adds that the health-care market is one of many target areas for McDonald's. The fast-food leader currently operates restaurants in about 12 hospitals. The partnership would entail putting in downsized McDonald's units in the healthcare complex, but not within the Morrison cafeteria area.

In another vein, research at Morrison shows that the breakfast business is ripe for business. The Breakfast Express program, launched this year, is the latest addition to the company's Bon Appetit specialty retail-oriented module program. Breakfast Express covers the daypart from all angles—breakfast bars, full service, and "Grab and Go" items—to address the needs of individual clients.

THE WOOD CO. $138.7MM
"Today's Taste for Today's Lifestyle," The Wood Co.'s food court and menu marketing program, is being introduced to the company's health-care and education accounts, in addition to the business account segment (which was increased by 150 accounts in '88 with the purchase of Food Concepts, a Rutherford, N.J.-based foodservice contractor). The program offers 11 concepts, including Grills and Frills specialty grilled sandwiches, Stack's Deli, Breakfast Club, Sweet Treats and Tag-a-Longs prepackaged lunches.

The emphasis in 1989 will continue to fall on fresh and natural items. Made-on-site pasta, calzone, stromboli and pizza will be rolled out and supported with advertising, promotion and merchandising aids. The from-scratch positioning is strong in the company's Country Kettle soup line as well, and all baked goods are made fresh daily. —*B.G.*

400: COMPANY INDEX

Organization (rank) **page**

A&W Restaurants Inc. (124) 40
Acapulco Mexican Restaurants (232) 70
Adventist Health System (206) 194
American Medical International Inc. (278) 194
ARA Services Inc. (9) 198
Arby's Inc. (19) 40
Arctic Circle Inc. (315) 34
Ark Restaurants Corp. (324) 134
Army & Air Force Exchange Service (38) 190
Arthur Treacher's Inc. (335) 98
Associated Hosts Inc. (236) 134
Au Bon Pain (323) 152
Bakers Square Restaurants (111) 142
Bally Resort Hotels (114) 176
Baskin-Robbins Ice Cream Co. (35) 78
Beefsteak Charlie's Inc. (282) 122
Benihana of Tokyo Inc. (184) 130
Bennigan's Restaurants (46) 130
Beverly Enterprises (78) 194
Big Boy (22) 142
Bill Knapp's Michigan Inc. (205). 130
Blake's Lotaburger Inc. (382) 34
Bob Evans Farms Inc. (74) 142
Bobby McGee's USA Inc. (254). 134
Bobby Rubino's Place for Ribs (316) 122
Bojangles' Corp. (167) 58
Bombay Bicycle Club (246) 134
Bonanza Restaurants (39) 120
The Boyd Group (257) 178
Braum Ice Cream & Dairy Stores Co. (145) 78
Bresler's Ice Cream & Yogurt Shops (318) 80
Brigham's Inc. (374) 152
Brown Derby Inc. (121) 130
Brown's Chicken (163) 58
Burger King Corp. (2) 32
Burgerville USA (395) 34
Caesar's World Inc. (146) 178
C.A. Muer Corp. (224) 90
Canteen Corp. (17) 198
Captain D's (57) 90
Carlos Murphy's (317) 70
Carl's Jr. (45) 32
Carousel Snack Bars Inc. of Minnesota (262) 44
Carter Hawley Hale Stores (393). 172
Carvel Corp. (88) 78
Casa Olé Restaurants & Cantinas (329) 70
Charlie Brown's Restaurants (266) 134
Chart House Restaurants (158) 130
Chicago Board of Education, Department of Foodservice (150) 184
Chi-Chi's Inc. (51) 68
Chili's Inc. (63) 130
Chick-fil-A Inc. (94) 52
Church's Chicken Inc. (41) 52
Church St. Station (379) 152
Cinnabon's World Famous Cinnamon Rolls (400) 80
The Circle K Corp. (82) 172
Circus Circus Enterprise (201) 178
Club Corp. of America (147) 200
Concession Air Corp. (130) 198
Convenient Food Marts (198) 172
Country Kitchen International (123) 142
Country Pride Restaurants (277). 150
Dade County Schools, Foodservice Division (243) 184
Dairy Queen (11) 78
dāka Food Service (127) 198
Dallas Independent School District (336) 184
Damon's Inc. (305) 122
Daughters of Charity Health Systems (209) 194
David's Cookies (250) 80
Days Inns of America Inc. (59) 176
Dayton Hudson Department Store Co. (307) 172
Delaware North Cos. Inc. (207). 200
Del Taco Inc. (96) 68
Denny's Inc. (15) 142
Detroit Public Schools (351) 184
Dino's/Crusty's USA Inc. (273). 114
Diversified Hospitality Group (309) 152
Dobbs Houses Inc. (174) 150
Dobbs International Services Inc. (64) 198
Domino's Pizza Inc.(10) 108
Doubletree Hotels (164) 178
Druthers International Inc. (172) 34
Dunkin' Donuts Inc. (28) 78
Eat'N Park Restaurants Inc. (226) 150
El Chico Corp. (159) 68
Elmer's Pancake & Steak House Inc. (337) 152
El Pollo Loco (154) 58
El Torito Restaurants Inc. (53) 68
Embassy Suites (134) 176
The Evangelical Luthern Good Samaritan Society (287). 194
Fairfax County Public Schools, Foodservice Division (366) 184
Fair Lanes Inc. (343) 172
Fairmont Hotels (212) 178
Food Concepts Inc. (180) 200
Food Dimensions Inc. (143) 200
Fosters Freeze International (173) 80
Friendly Ice Cream Corp. (40) 142
Fuddruckers Inc. (141) 34
Furr's/Bishop's Cafeterias (77) 160
F.W. Woolworth Co. (136) 172
Garcia's Mexican Restaurants (227) 70
Godfather's Pizza Inc. (95) 108
Golden Corral Corp. (47) 120
Grandy's (115) 52
The Great American Chocolate Chip Cookie Co. (239) 80
Greyhound Food Management Inc. (72) 198
The Ground Round Inc. (105) 130
Guest Services Inc. (188) 200
The Häagen-Dazs Shoppe Co. (220) 80
Hamburger Hamlet Inc. (286) 134
Happy Chef Restaurants (338) 152
Happy Joe's Pizza & Ice Cream Parlor Inc. (375) 114
The Happy Steak Inc. (388) 122
Hard Rock Cafe America (240) 134
Hardee's Inc. (8) 32
Harrah's Casino Hotels (148) 178

400: COMPANY INDEX

Organization (rank) page

Harry M. Stevens Inc. (109) 198
Health Care & Retirement Corp. (293) 194
Health Trust Inc. (217) 194
Hillsborough County School Board (312) 184
The Hilltop Steakhouse (361) 122
Hilton Hotel Corp. (20) 176
Holiday Inn Hotels (32) 176
Hospital Corp. of America (97) 194
Hot Sam Pretzels (298) 80
Houston Independent School District (245) 184
Houston's Restaurants (218) 130
Howard Johnson (161) 150
Huddle House Inc. (280) 150
Humana Inc. (183) 194
Hyatt Hotel Corp. (27) 176
Hyatt International (106) 176
I Can't Believe It's Yogurt (308). 80
In-N-Out Burgers (368) 34
Inter-Continental Hotels Corp. (52) 176
International Blimpie (160) 40
International House of Pancakes Restaurants (69) 142
International King's Table Inc. (203) 160
Jack In The Box (31) 32
Jack's Food Systems Inc. (352) 34
J.B.'s Restaurants Inc. (171) 150
Jerry's Restaurants (303) 152
Jerry's Systems Inc. (319) 44
K-Bob's Steak Houses Inc. (252). 122
Kentucky Fried Chicken (3) 52
Kettle Restaurants Inc. (155) 150
King's Family Restaurants (359). 152
K mart Corp. (65) 172
The Krystal Co. (118) 34
K&W Cafeterias Inc. (270) 160
L&N Seafood Grill (310) 98
LaRosa's Inc. (362) 114
Lee's Famous Recipe Chicken (139) 58
Legal Sea Foods Inc. (265) 98
Leiserv Inc. (334) 44
Le Peep Restaurants Inc. (365) 152
Lettuce Entertain You Enterprises Inc. (196) 130
The Levy Restaurants Inc. (233). 134
Little Caesars Pizza (23) 108
Loews Hotels (179) 178
Long John Silver's Seafood Shoppes (30) 90
Los Angeles Unified School District (116) 184
Luby's Cafeterias Inc. (84) 160
Lyon's Restaurants Inc. (170) 150
Magic Pan (283) 134
Maid-Rite Products Inc. (279) 44
Manor Health Care (248) 194
Marie Callender Pie Shops Inc. (100) 142
Marriott Family Restaurants (192) 150
Marriott Food Service Mgmt. (5). 198
Marriott Lodging Division (18) 176
Marriott Travel Plazas (216) 150
The May Co. (229) 172
Mazzio's Pizza (138) 108
McCrory Stores (247) 172
McDonald's Corp. (1) 32
McFaddin Ventures (301) 134
MCL Cafeterias (284) 160
Michigan State University (372). 184
Mister Donut of America (98) 78
Mr. Gatti's Inc. (152) 108
Mr. Steak Inc. (185) 120
Mrs. Field's Inc. (126) 78
Mrs. Winner's Chicken (202) 58
Morrison Custom Management (43) 198
Morrison Family Dining Division (68) 160
Mountain Mike's Pizza Inc. (380) 114
Nathan's Famous Inc. (342) 44
National Heritage Corp. (214) 194
National Medical Enterprises Inc. (99) 194
Navy Resale and Services Support Office (156) 190
The Newport Creamery Inc. (390) 152
New York City Board of Education (90) 184
New York City Health and Hospitals Corp. (230) 194
Noble Roman's Inc. (349) 114
Numero Uno Pizza Pasta & More (376) 114
Ogden Allied Services Corp. (50). 198
Old Country Buffets (200) 160
The Old Spaghetti Factory (296). 114
Olga's Kitchen Inc. (300) 150
Olive Garden (70) 108
Omni Hotels Corp. (128) 176
Orange Julius (153) 78
The Original Cookie Co. (276) 80
The Original Seafood Shanty Inc. (340) 98
Pancho's Mexican Buffet Inc. (234) 70
Papa Gino's of America (149) 108
Paragon Specialty Restaurants (119) 90
Penguin's Frozen Yogurt (320) 80
PePe's Inc. (378) 70
Perkins Family Restaurants L.P. (56) 142
Perko's Coffee Kup (332) 152
Peter Piper Inc. (259) 114
Phillips Seafood Restaurants (311) 98
Piccadilly Cafeterias Inc. (89) 160
Pietro's Corp. (322) 114
Pioneer Take Out Corp. (231) 58
Pizza Hut (4) 108
Pizza Inn (67) 108
Pizzeria Uno Restaurants (228) 114
PoFolks Inc. (129) 142
Pointe Resorts (255) 178
Ponderosa Inc. (33) 120
Popeyes Famous Fried Chicken (44) 52
Prime Motor Inns (208) 178
Princess Hotels International (195) 178
Professional Food-Service Management Inc. (190) 200
Prufrock Restaurants (211) 130
Quality Inns International (55) 176
Quincy's Family Steak Houses (87) 120
Radisson Hotel Corp. (79) 176
Ramada Gaming Group (223) 178
Ramada Hotel Group (42) 176

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For information circle **79**

Organization (rank) **page**

Rax Restaurants Inc. (61) 40
Red Lion (142) 178
Red Lobster (16) 90
Red Onion Restaurants (288) 70
Red Robin International (168) 130
The Registry Hotel Corp. (178) 178
Resorts International Inc. (186) 178
Restaurant Associates Group (194) 130
Restaurants Unlimited Specialty Restaurants (238) 134
The Ritz-Carlton Hotel Co. (140) 178
Rocky Rococo Corp. (306) 114
Round Table Pizza (81) 108
Royal Fork Buffet Restaurants (381) 160
Roy Rogers (36) 40
Ruby Tuesday (151) 130
Rusty Pelican Restaurants Inc. (244) 90
Rusty Scupper (357) 98
Ruth's Chris Steak House Inc. (321) 122
Ryan's Family Steak Houses Inc. (92) 120
Sands & Co. Inc. (291) 200
S&S Cafeterias (367) 160
Sandwich Chef Inc. (355) 44
Sanese Services Inc. (237) 200
Sbarro Inc. (131) 108
Schlotzsky's Inc. (263) 44
School District of Philadelphia (281) 184
Schwartz Bros. Restaurants (391) 152
Sea Galley Stores Inc. (261) 98
The Seiler Corp. (108) 198
Service America Corp. (21) 198
ServiceMaster Co., Food Management Division (110) 198
7-Eleven (34) 172
Shakey's Inc. (85) 108
Shari's Family Restaurants (345) 152
The Sheraton Corp. (13) 176
Shoney's Restaurants (25) 142
ShowBiz Pizza/Chuck E. Cheese (104) 108
Sirloin Stockade International (260) 122
Sisters Chicken & Biscuits (292) 58
Sizzler Restaurants International (26) 120
Skipper's Inc. (176) 90
Sky Chefs Inc. (73) 198
Skyline Chili Inc. (358) 152
Sonic Industries Inc. (62) 32
Sonny's Real Pit Bar-B-Q Inc. (219) 122
Southern Foodservice Management Inc. (294) 200
Specialty Restaurants Corp. (113) 130
Sportservice Corp. (132) 198
State of Hawaii School Foodservice (295) 184
Steak & Ale (101) 120
Steak 'n Shake Inc. (191) 34
Stouffer Hotel Group (117) 176
Stouffer Specialty Restaurants (299) 134
Straw Hat Pizza (369) 114
Stuart Anderson's Black Angus (120) 120
Stuckey's Corp. (241) 150
Sub Station II (394) 44
Subway (37) 40
Swensen's Ice Cream Co. (181) 150
Taco Bell (12) 68
Taco Bueno (210) 68

400: COMPANY INDEX

Taco John's International (157). . . .68
Taco Tico Inc. (331) 70
Taco Time (187) 68
Taco Villa Inc. (197) 68
Target Stores Inc. (251) 172
Tastee Freez (133) 78
TCBY Enterprises Inc. (103) 78
TGI Friday's Inc. (58) 130
T.J. Cinnamon's Bakeries (269). . . .80
Togo's Eatery (249) 40
Tony Roma's—A Place for Ribs (122) 120
Trader Vic's (272) 134
Trans/Pacific Restaurants Inc. (182) 90
TrettCo Inc. (215) 200
Trusthouse Forte Food Services Inc. (135) 200
Trusthouse Forte Hotels (175) 178
Two Pesos Mexican Cafes (304). . . .70
Unicare Health Facilities Inc. (330) 194
Universal Services Inc. (271) 200
U.S. Air Force Engineering and Services Center (71) 190
U.S. Air Force Open Mess System (66) 190
U.S. Army Community & Family Support Centers (29) . .190
U.S. Army Medical Department (253) 190
U.S. Army Troop Support Agency (14) 190
U.S. Dept. of Agriculture Food & Nutrition Service (6) 184
U.S. Marine Corps (91) 190
U.S. Navy Food Service Systems Office (24) 190
U.S. Navy Officer's and Enlisted Club System (125) 190
Valentino's (344) 114
Valley Food Service Corp. (222). . . .200
Velvet Turtle (256) 134
Veterans Administration (86) 190
Veterans Canteen Service (242). . . .190
Vie de France Restaurant Corp. (289) 150
Village Inn Pancake Houses (93). . . .142
Waffle House Inc. (83) 142
Wag's Family Restaurants (169) 150
Walt Disney Co. (54) 142
Weathervane Seafood Restaurants (397) 98
Wendy's International Inc. (7) 32
Western Sizzlin' Steak House Inc. (48) 120
Western Steer (221) 122
Westin Hotels & Resorts (49) 176
Whataburger Inc. (76) 32
White Castle System Inc. (75) 32
Wienerschnitzel (162) 40
Winchell's Donut House (137) 78
Wometco Food Services (177) 200
The Wood Co. (144) 200
Wyatt Cafeterias Inc. (112) 160

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
AMCO Corporation (p.231)	93
Ad Art Litho (p.235)	98
Allen Canning (p.136-137)	58
Alto-Shaam, Inc. (p.115-118)	49,51,52,53
American Gas/Hobart (p.233)	95
American Gas/Keating (p.99)	41
American Permanent Ware, Inc. (p.215)	83
American Wyott, Inc. (p.217)	84
Anheuser-Busch, Inc., Carlsberg (p.173)	65
Atlantic Chemco Corp. (p.237)	105
B.C. Rogers Poultry (p.184E)	114
Basic American Foods (p.69,71)	25,26
Beef Industry Council (p.131-133)	57
Bon Chef (p.235)	97
Borden Foodservice	
Eagle Brand (p.81)	33
Real Lemon (p.79)	32
Bridgford Foods (p.45)	16
CPC Foodservice, Knorr (p.84)	35
Calavo Foods, Inc. (p.38-39)	12
California Avocado Commission (p.66-67)	24
California Iceberg Lettuce Commission (p.64)	
Cambro Mfg. Co. (p.74-77)	28,29,30,31
Carnation Co., Foodservice (p.110-111)	48
Clear Springs Trout (p.100-101)	42
Coco Lopez (p.232)	94
Coldelite Corp. of America (p.237)	104
Coldwater Seafood Corp. (p.96-97)	40
Continental Coffee Products (p.IBC)	108
Culligan U.S.A. (p.234)	111
Custom Foods (p.56-57)	20
Del Monte Foodservice (p.82-83)	
Del Monte Tropical Fruit Co. (p.177)	66
Delta Pride Catfish (p.91)	38
Dial Corporation (p.196)	77
Dole Packaged Foods (p.135,219)	
Doskocil Foods Group (p.106-107)	62
Durkee-French Foods, Inc. (p.185)	
Elason Corp. (p.11)	6
Equal Low-Calorie Sweetner (p.8-9)	5
Fishery Products, Inc. (p.102-103)	43
Fort Howard Corporation (p.138-139)	59
Fresh Pennsylvania Mushroom (p.161-168)	116
Frymaster Corp., Div. of Welbilt Corp. (p.191)	74
Garland A Welbilt Co. (p.186-187)	72
General Foods Corp., Boboli (p.104)	44
General Foods, Open Pit (p.121,123)	54
General Mills, Foodservice Div. (p.62-63)	55
Georgia Pacific (p.188)	73
Heinz Co., H. J. (p.30-31)	9
Hillshire Farms (p.36)	11
Hobart/American Gas (p.233)	95
Hospitality Mints (p.236)	103
Hunt-Wesson Foodservice Div. (p.7,10)	4,115
Iceland Seafood Corp. (p.86-89)	36,37
International Council of Shopping Centers (p.230)	92
Jennie-O Foods, Inc. (p.151)	60
John Morrell (p.192)	75
Karp & Sons, L. (p.221)	85
Keating of Chicago, Inc./American Gas (p.99)	41

continued on page 246

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

Cahners Publishing Company, A Division of Reed Publishing USA. Specialized Business Magazines for Building & Construction. Manufacturing. Foodservice & Lodging. Electronics & Computers. Interior Design. Printing. Publishing. Industrial Research & Technology. Health Care. Entertainment. Specialized Consumer Magazines: American Baby. Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA. Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA: 1 year $99.95, 2 years $189.95. Canada/Mexico: 1 year $115, 2 years $205; other countries surface mail: 1 year $155, 2 years $290, and air mail: 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

U850-3

JOB$ '89: INSTITUTIONAL MANAGERS STILL UNDERPAID . . . 48

R&I operator profiles tell inside story........50

Taste: Learn the secrets of Barbecueland, USA..........90

Parking: How operators solve this dilemma...........116

Food: Consumers gobbling up new turkey dishes....150

AUGUST 7, 1989

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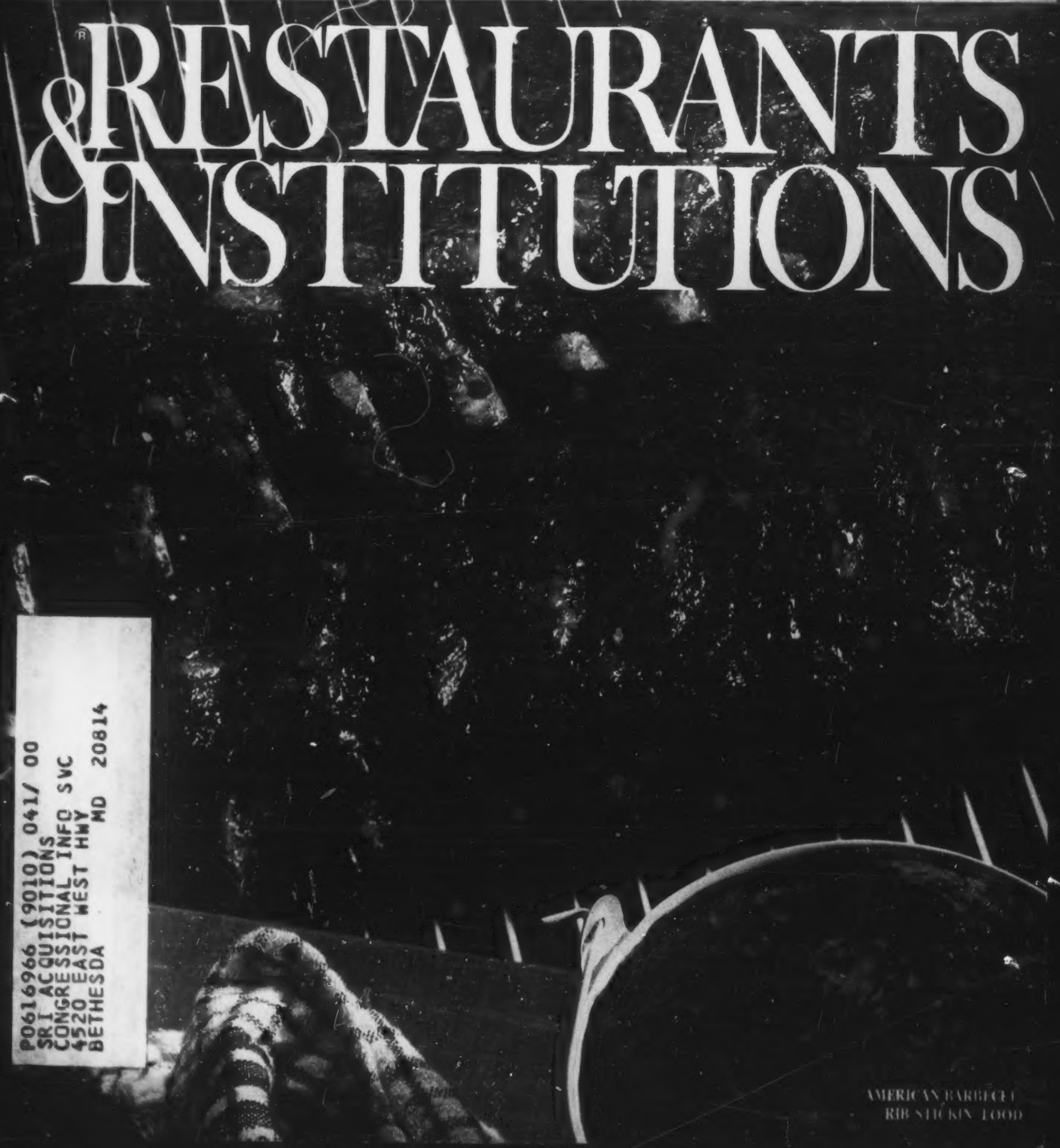

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AMERICAN BARBECUE
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AUG. 7, 1989

CONTENTS

VOL. 99 NO. 21

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

Who will fill the JOB$ 11
Operations in this issue 11

VIEWPOINT

JOB$ with faces 14

R&I FORUM

Reader's Opinion: Building proper rapport enhances guest relations 22
Letters 22

R&I REPORT

Operations: Safety saves bottom-line dollar in food operations 26
Industry Issues: Minimum-wage hike delayed 30
Industry Leaders: New president targets labor, solid waste, AIDS issues 32
Washington Update: Bush, Congress play "chicken" with Targeted Jobs Tax Credit 34
Legislation: Labeling issue surfaces again 39

R&I SCENE

People, Places & Promos 40

R&I EXCLUSIVE

Annual JOB$ Survey: The inside story on executive pay 48

MENUS

Menu Concepts: Leon's bets on new bakery concept 80
Consumers' Choice: A grilled fish affair 81
Menu Promotions: Arby's squeezes out profits with sports-bottle promo 85

TASTE

American Cuisine: Barbecue (another article in *R&I*'s Great American Food Chronicles) 90

INDEPENDENTS

Parking: Four-wheeled dilemma 116

INSTITUTIONS

Promotions: Kids read for free pizzas 127
Hotline 130

FOOD

Entrees: Try turkey, too 150

MARKETPLACE

Menu Merchandising: Two-step pizza makes the most of time, with taste 172
Two-Step Pizza Products 178
Buyers Mart: Products 185

CLASSIFIED ADS

Buying, selling, changing jobs 209

ACTION EXPRESS

For more information about products 216

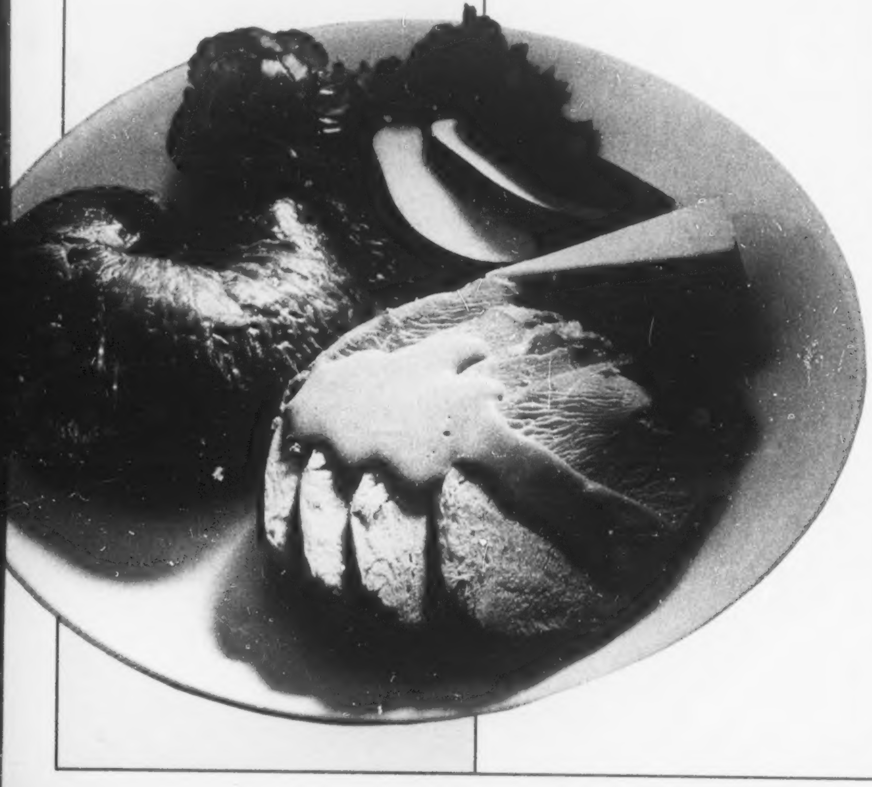
ADVERTISERS INDEX

Where to find ads in this issue 216

READER SERVICE CARD

To send for more information 217

Foodservice Energy News, a service of the American Gas Association, follows page 138.



(L.) A turkey dish, by The Exchange National Bank of Chicago.

R&I EXCLUSIVE

■ ANNUAL JOB$ SURVEY

THE INSIDE STORY ON EXECUTIVE PAY

More execs move for money. . . Half face scaled-down benefits. . . Minorities and women still struggling . . . Bonuses now reach 45% of industry.

By Jeff Weinstein and Beth Gotschall

Today's foodservice executives, faced with increased bottom-line pressures, are working harder than ever. And the results of the 21st annual *R&I* JOB$ survey shows they want to be paid well for their efforts.

For example, money has become an even greater motivator in making career decisions. Compared to the previous year, 33% more respondents to the 1989 survey report leaving their last job for money—not surprising since only 27% think foodservice pays well and only 25% earn more than $40,000 a year. Even more unsettling statistics show that only 51% were satisfied with their last raise and that the average executive waits 1.7 years for a promotion.

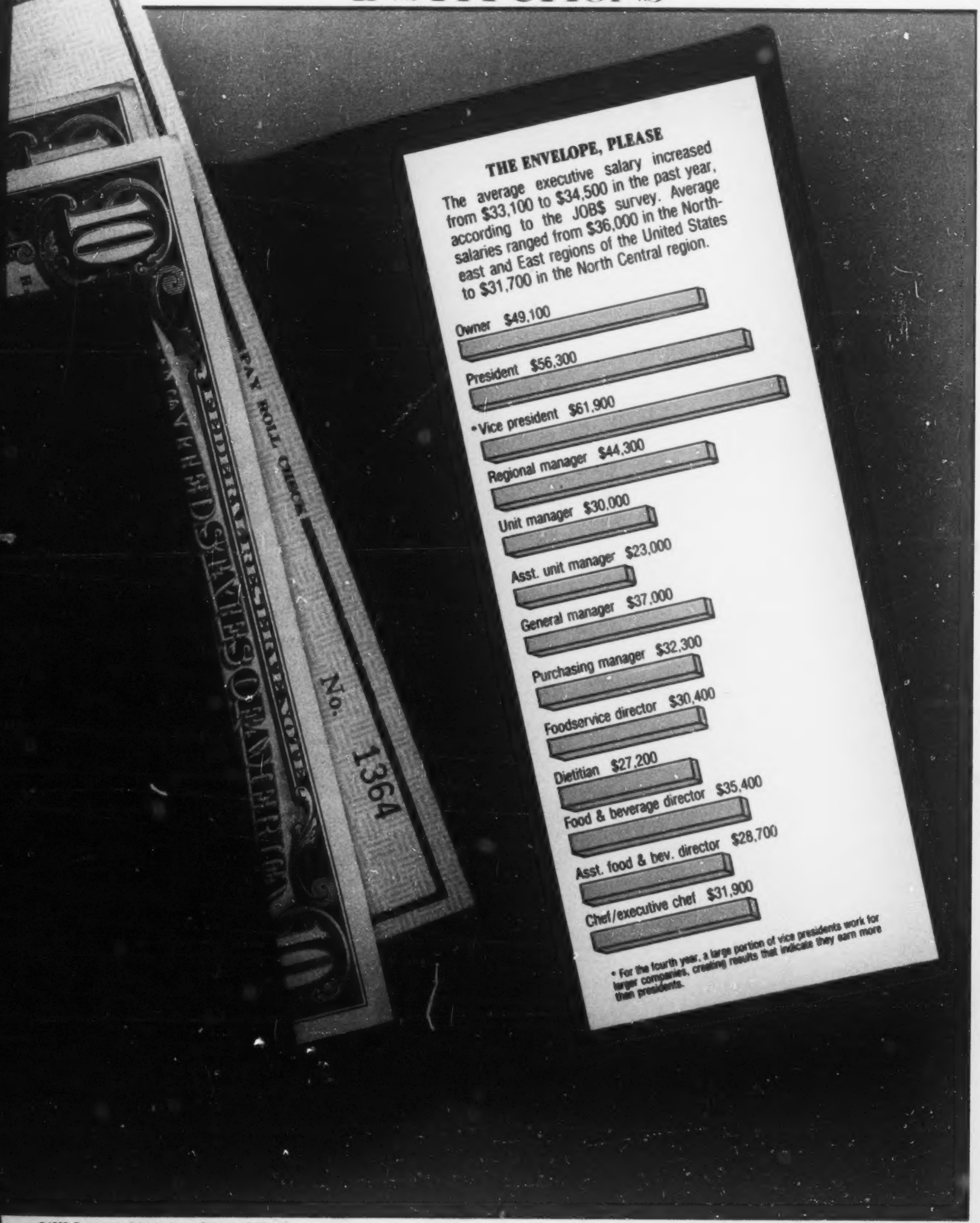
Results also show, however, that performance is playing a greater role in compensation programs as the number of executives receiving a bonus has increased to 44%. More companies are waking up to the realization that management incentives are necessary to encourage performance.

Survey results also indicate that the implications of government regulation and escalating insurance costs are having an adverse effect on benefits plans. While good benefits plans are necessary to attract top-notch managers in a competitive labor market, the number of executives facing leaner benefits packages jumped from 35% last year to 50% in 1989.

Just who are the the JOB$ survey respondents? Two-thirds are male. The average age is 38.1 years. Almost 50% have a college or culinary degree. They have worked in the industry for 15.7 years and at 3.5 different companies. Respondents have been in their current position for 6.3 years, but 44% have been in the same job three years or less. On the personal side, 66% are married, 18% single and 12% divorced. About 66% have children (2.34 children per respondent, on average), 19% are planning a family, while 15% say they do not want to become parents.

On the following pages, along with JOB$ survey results, *R&I* takes a personal look at how six foodservice executives feel about their compensation and benefits packages. The pervading opinion is that good salaries, benefits and bonuses have a greater effect on the morale of foodservice executives than almost any other industry. The very nature of the job necessitates strong support and monetary compensation.

&RESTAURANTS INSTITUTIONS



THE ENVELOPE, PLEASE

The average executive salary increased from $33,100 to $34,500 in the past year, according to the JOB$ survey. Average salaries ranged from $36,000 in the Northeast and East regions of the United States to $31,700 in the North Central region.

Owner $49,100
President $56,300
*Vice president $61,900
Regional manager $44,300
Unit manager $30,000
Asst. unit manager $23,000
General manager $37,000
Purchasing manager $32,300
Foodservice director $30,400
Dietitian $27,200
Food & beverage director $35,400
Asst. food & bev. director $28,700
Chef/executive chef $31,900

* For the fourth year, a large portion of vice presidents work for larger companies, creating results that indicate they earn more than presidents.

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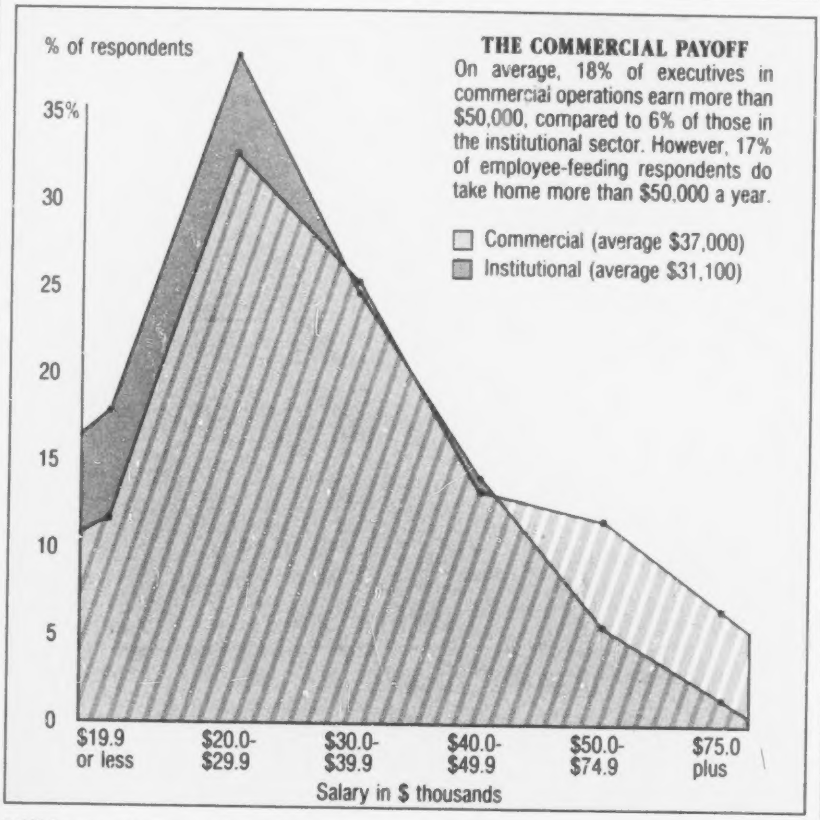
JOB$ '89

■ SALARIES



THE COMMERCIAL PAYOFF
On average, 18% of executives in commercial operations earn more than $50,000, compared to 6% of those in the institutional sector. However, 17% of employee-feeding respondents do take home more than $50,000 a year.

☐ Commercial (average $37,000)
▨ Institutional (average $31,100)

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Maria Hassel, foodservice director at Cook Country Hospital in Chicago, set a goal to make $10,000 more than her age in salary—she's getting close.

■ FOODSERVICE DIRECTOR

Average age: 41.4
Average salary: $30,400
Average raise: 5.1%
Average bonus: 4.4%

Maria Hassel, R.D., 47, is the foodservice director for Cook County Hospital in Chicago. She has held the position for seven years and holds a masters in dietetics and management.

"Your salary is never enough. Especially in the service sector. I think the majority of foodservice directors in institutional operations are hovering between $28,000 and $35,000—only a small percentage make over $50,000. Part of the problem is that there are fewer opportunities in the institutional segment, especially health care, to achieve high-salaried jobs.

"In the commercial segment, the pyramid to the top is wider, there are more higher-paying positions on the way up the pay scale. That's not the case in institutions. I have peers whose salaries have been frozen for three or four years. I don't think you'd find that happening as often in commercial operations, especially in progressive companies. The offset is that the hours are more regular in institutions and the benefits are better—especially in a government position, benefits are fantastic. Ours are worth about $5,000.

"One reason for problems in institutional foodservice is the fact that operators do not take the time to read and keep up on what is happening around them. There is too much complacency. DRGs were a good example. So many were caught off guard by the effects of DRGs, and when money is short, foodservice is often the first to be cut. So if you read up and prepare yourself for what's ahead, you can continue to make a profit in your operation, and the salary will follow.

"To make money in my field, you have to be a go-getter. I got a master's in management many years before it was in vogue. But I did my homework, and I set a goal that I would always try to make $10,000 more than my age! I'm getting close to it. I update my résumé every year and have been on many interviews—there's no better way to find out what you are worth. I tell the graduate students I teach that the time to look for a job is when you are already employed, not when you are out of a job."

RESTAURANTS & INSTITUTIONS

■ PROFILE

IN BRIEF: JOB$ SURVEY RESPONDENTS

How do you compare with the typical foodservice executive? Compared to five years ago, you are two years younger and $6,500 a year richer. In 1984, the average raise was 8.9%, versus 5.7% in 1989.

COMMERCIAL	CHARACTERISTIC	INSTITUTIONAL
35.8 years	Age	41.2 years
14.5 years	Years in foodservice	17.2 years
5.6 years	Years in current position	7.2 years
3.8	Foodservice companies worked for	3.3
$37,000	Annual income	$31,100
44.8%	College or culinary degree	49.7%
63.5%	Married	69.7%
11.9%	Divorced or separated	11.9%
2.2	Number of children	2.5
6.3%	Level of last raise	5.0%
53.4%	Percentage satisfied with raise	48.3%
1.6 years	Wait for promotion	1.9 years
62.0%	Percentage receiving bonus	21.9%
9.0%	Bonus as percentage of income	4.4%

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UNIT MANAGER*

Average age: 35.3
Average salary: $30,000
Average raise: 5.7%
Average bonus: 9.7%
**commercial*

Rachelle Towne, 32, has been the unit manager of a Burger King restaurant in Carpentersville, Ill., for eight months, but brings with her 14 years of experience in the foodservice industry. In her previous jobs, she has waited tables, supervised a wait staff, bartended, worked at a country club and managed or assisted in management of several fast-food operations.

"I always made very good money waiting tables in restaurants. When I was waiting, I could rely on tips as long as everything went well. But I didn't have much of a future, I didn't have benefits, and if I got sick, I was out and I wouldn't have the money to pay for major medical problems.

"That was when I started to look into a management position with a large corporation. I had plenty of experience managing in different jobs.

Rachelle Towne, unit manager of a Burger King restaurant, has had many different jobs in foodservice. She likes being part of a large corporation because of improved benefits, a clear promotion path and stability.

"The larger the corporation, the better the benefits, pay and the chance for promotion. That was part of what drew me to Burger King. Right now, I have life insurance for up to $100,000, medical coverage with a $50 deductible and 80% coverage after that (including prescriptions), complete dental, two weeks of paid vacation and free meals. It's by far the best benefits package I've ever received.

"For the most part, I'm happy with my salary; I know managers at restaurants who have worked longer than I

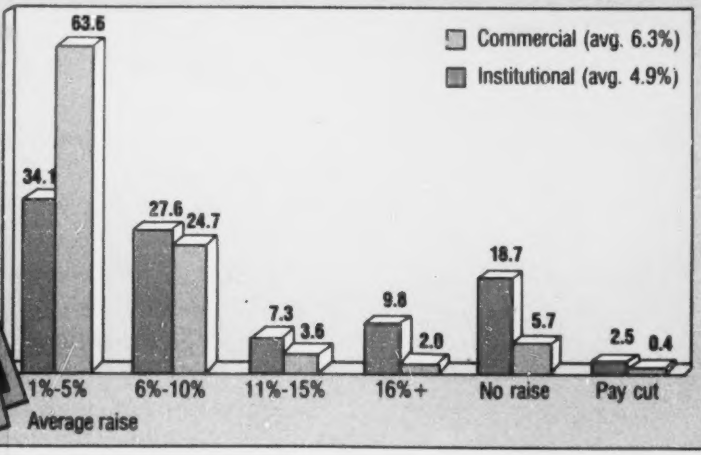
continued on page 62

RAISES

MAKING ENDS MEET

How large was your last raise?

It is no secret that the big money is made on the commercial side of the business. On the other hand, almost 19% of commercial respondents say they received no raise in the past year. Also, when compared to average raises received by foodservice industry executives five years ago, the numbers are discouraging. In 1984, the JOB$ survey reported the average raise at 8.9%, towering over the 5.7% industry average in 1989. And perhaps it is no surprise that 31% of respondents supplement their income with a second job.



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JOB$ '89

RAISES

TAKE IT TO THE BANK

Fully 66% of all respondents received a raise in connection with a promotion, ranging from 15.4% for presidents to 5.8% for dietitians. Men's raises averaged 11.4%, versus 9.7% for women.

Average raise received in connection with promotion

Position	Raise
President	15.4%
Owner	14.7
Vice president	13.5
Food & beverage director	12.8
General manager	12.0
Unit manager	11.1
Regional manager	10.8
Assistant unit manager	10.3
Foodservice director	10.2
Purchasing manager	10.2
Chef/executive chef	9.2
Asst. food & beverage dir.	8.3
Dietitian	5.8

continued from page 52

have who are not making as much. But then I look at the expenses in my life and I'm not so sure I'm making enough for what I do.

"There is an interesting story behind my present position. When I came on board, I was the assistant manager. But there was a corporate restructuring and a shake-up in the area and many of the higher management staff left. Two people were offered the manager position in my unit but refused under the circumstances—things just weren't stable. So, for seven months, I was doing all of the manager's duties, but without the title and accompanying raise.

"Our new regional head had a meeting at which we all had to introduce ourselves. I stood and said who I was and that I had worked at the unit as assistant manager for seven months. He said, 'Whoa, you've been in that unit for seven months already? Who is your unit manager?' to which I answered, 'There isn't one, the buck stops here.' He was very upset, and immediately promoted me to unit manager and gave me a $5,000 raise. That really felt good. I felt I was finally getting the support and recognition I needed.

"Support isn't just monetary, though. If a manager is doing a good job, he or she needs the freedom to make decisions, especially to groom good employees.

"A lot of times, large corporations tend to put out fires and pay attention to the worst units and are not as attentive to the units that maintain and do well—the backbone of the company. I understand that to an extent. But if I am expected to continue to do well in my unit, I need my manager to support my decisions. And he does, as does the company as a whole. That's important because if your job is awful, if every method you come up with to try and improve things is vetoed at the top, no amount of money is going to make it worthwhile to get up and go in and give it your best.

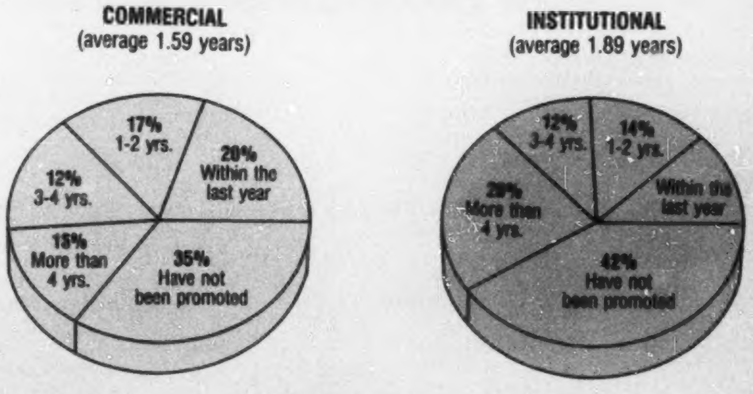
"Do I enjoy my job? Last night, I said, 'No, I don't enjoy my job.' If there was one benefit I could choose, it would be to be a human being again. When I get up in the morning, my first call is from my restaurant. When I go to bed at night, the last call I have is from my restaurant. I live, eat and breathe the business. The employees are my family. I need more in my life than my job, but I just don't have the time to find it. But today's been a good day. I received five job applications and tallied up last month's sales. I made a nice profit. Today, I love my job."

PROMOTIONS

CLIMBING THE LADDER

How long has it been since you were promoted?

On the commercial side, fast-food management personnel say they wait 1.92 years for a promotion. It takes an average of 2.16 years to get a promotion in the college setting, according to survey respondents. Males wait 1.7 years, versus 1.8 year for females.



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JOB$ '89

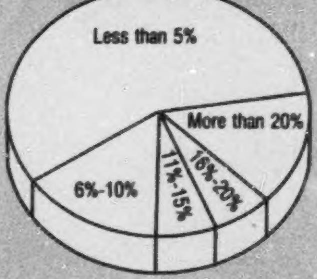
continued from page 62

BONUSES

RIDING THE GRAVY TRAIN

Bonus as a percentage of income

Bonus money accounts for the greatest percentage of total income (11%) in the family restaurant/coffee shop segment. Employee dining executives earn almost 7% of their income in the form of a bonus.



CHEF

Average age: 34.7
Average salary: $31,900
Average raise: 6.5%
Average bonus: 5.5%

Richard Erskine, 25, is a graduate of culinary arts and restaurant/hotel management at Johnson & Wales College. He has been the chef at Tommy Condon's, an independent casual theme restaurant in Charleston, S.C., for the past year.

"Our restaurant has some really unusual bonuses, bonuses I've never seen offered in other restaurants I've worked in. For one thing, we have a food-cost bonus. Food costs vary from month to month, but if I can keep costs below the average, I get $100 for each point below the average cost. I've always been pretty good at keeping costs down, but to be rewarded for it is a great incentive.

"Another thing they do, which I've never seen before, is to pay me half of any manufacturer rebates we receive. So if the manufacturer of the rice we use offers a $150 rebate, half goes to me and the other half goes to the food cost. My boss came up with that one, and I really appreciate it. On the average, I make about $200 a month in overall bonus money . . .

"I just got a raise four weeks ago. We had discussed the matter, but I was the one who brought it up. Then they gave me more than I asked for—I was shocked. They told me they were happy with the work I'd been doing, and I guess they proved that. It felt great. That's the thing I love about this business: you're not just a cog in a wheel, you get to see the immediate results of your work every day. What I do makes a difference.

"I know I could make more in another industry. But I make about $31,000, which I think is above average, especially in this area. My younger brother just graduated with a degree in computer science and is making a lot more than I am, as my mother loves to point out. But I love where I am and what I'm doing."

Richard Erskine, chef at Tommy Condon's Restaurant in Charleston, S.C., enjoys some unusual bonuses for work well done.

SALARIES

FOR LOVE OF MONEY

Increasingly, money is motivating executives to change jobs. When compared to 1988 statistics, 38% more 1989 JOB$ respondents say they left their last job for money.

Left last job for more money

Operation	1988	1989
Fine dining	15.5%	26.8%
Fast food	15.2	18.6
Hotel/motel	25.9	40.0
Health care	18.2	24.5
Schools	19.7	30.1
Employee feeding	19.1	26.1
Total commercial	**15.6**	**20.2**
Total institutional	**17.7**	**24.2**
Total industry	**16.5**	**21.9**

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JOB$ '89

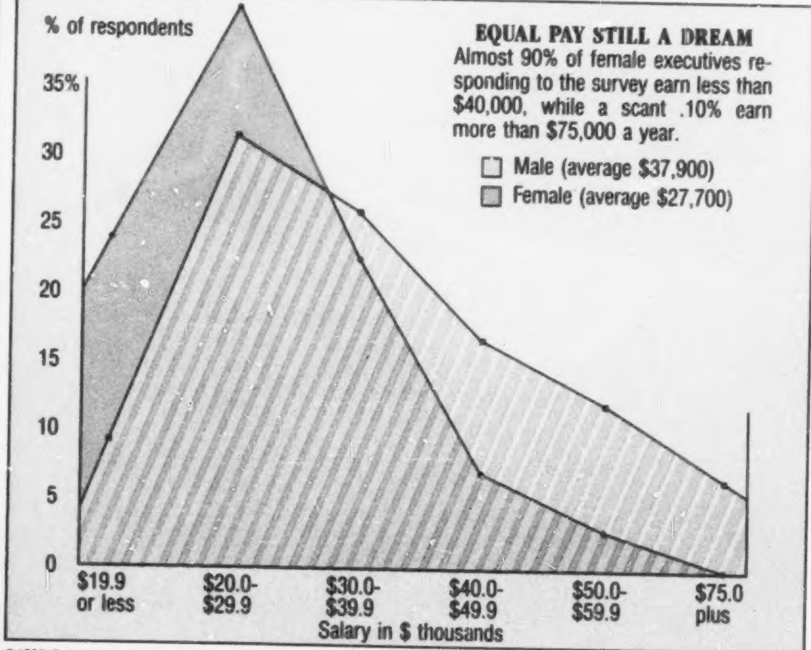
WOMEN

THE GENDER GAP

The JOB$ survey reveals that the average female foodservice executive still makes 27% less than the average male. Out of 703 females reporting, only 24 earn more than $50,000 a year, while 66% earn $30,000 or less. Females also are surprisingly complacent, as 49% of the executives say they were satisfied with their last raise.

Category	Male	Female
Income	$37,900	$27,700
Last raise	6.0%	5.2%
Wait for last promotion	1.7 years	1.8 years
Raise due to promotion	11.4%	9.7%
Percentage receiving bonus	51.8%	31.0%
Bonus as percentage of salary	8.4%	6.0%

WOMEN



EQUAL PAY STILL A DREAM

Almost 90% of female executives responding to the survey earn less than $40,000, while a scant .10% earn more than $75,000 a year.

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PRESIDENT

Average age: 43.8
Average salary: $56,300
Average raise: 6.7%
Average bonus: 15.2%

Paula Maxheim, 47, has been president of Des Moines, Iowa-based Maid-Rite Products, franchisor of 148 fast-food units, for the last eight years. Prior to that she was a senator's press secretary.

"We are working in an industry that is overpowered by men and supported by women. The political arena has made advances in equality between men and women, but I am appalled by what I see in our industry. Women who have achieved higher positions have a responsibility to be mentors and pull other capable women up through the ranks. But I also think men need to do their part as well.

"Many men hold the idea that a young woman will eventually leave to marry and have a family. And for those women who do have a family and work, the pay is often lower because there is a perception that she is mostly supported by her husband; that she is not the main breadwinner and doesn't need as high a salary.

"But we're living in a two-income society and those perceptions need to change. Too often, women aren't paid on their abilities but on what men perceive to be their need. And yet it's women's abilities that make them so invaluable."

Maid-Rite Products President Paula Maxheim is one of few woman executives in the fast-food industry.

JOB$ '89

INCOME

MOONLIGHTING

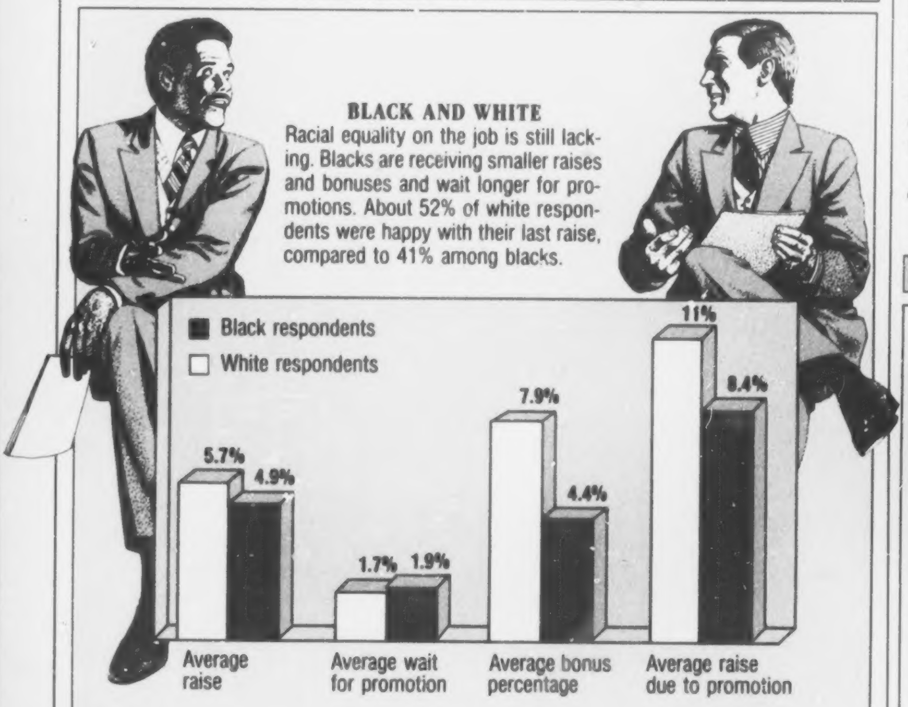
Approximately 31% of survey respondents have a second job or source of income, accounting for 14% of their total income.

Position	% with 2nd job	Source	% of total income
President	52%	Consultant	21%
Chef	40	Catering	10
Owner	37	Real estate	19
Regional manager	32	Salesperson	13
Dietitian	26	Consultant	12

MINORITIES

BLACK AND WHITE

Racial equality on the job is still lacking. Blacks are receiving smaller raises and bonuses and wait longer for promotions. About 52% of white respondents were happy with their last raise, compared to 41% among blacks.



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UNIT MANAGER*

Average age: 37.2
Average salary: $28,600
Average raise: 5.3%
Average bonus: 4.1%
** institutional*

Rodney Taylor, 34, is manager of the Forty-Niner Shops, the not-for-profit foodservice and bookstore auxiliary at California State University at Long Beach.

"When I interviewed for a position in the janitorial department of the university 14 years ago, the manager at that time asked me what I would like to be doing 10 years down the road. I told him I would like to have his job. He said he would provide me with every opportunity to achieve that goal––and he lived up to it.

"He provided me with avenues of advancement and as positions opened up, I was always the most likely candidate. And believe me, I took advantage of every opportunity to go forward. I went from cook to baker to assistant manager to manager and was happy with the progress. They showed that they appreciated my work.

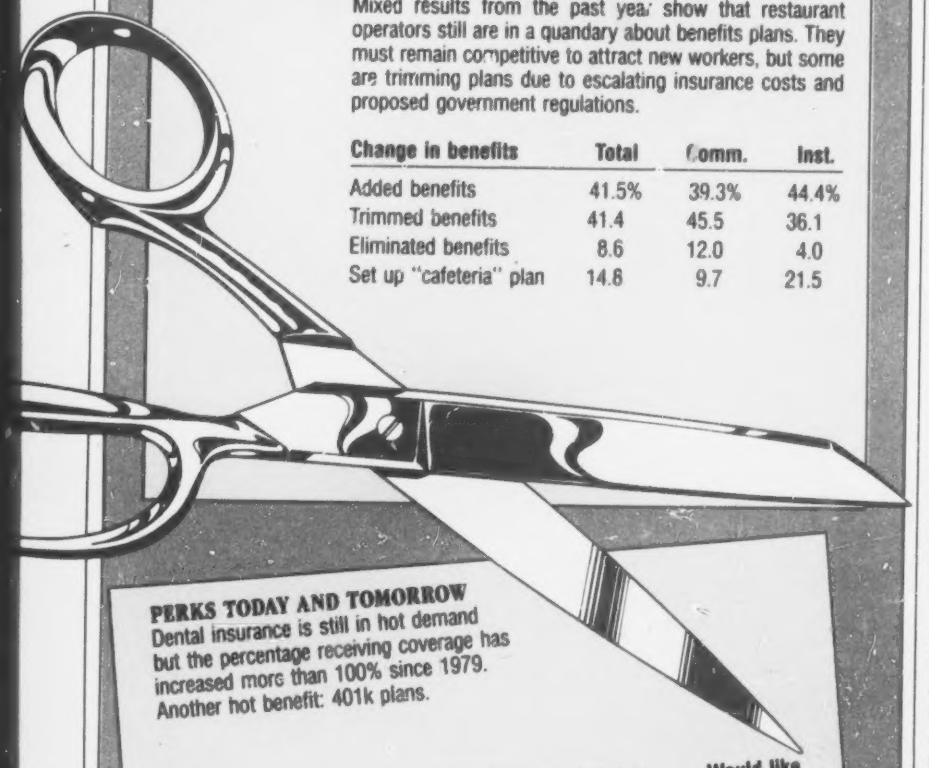
"It has been that way for most of my job experiences. I haven't experienced any inequality. Sure, I may have come across a manager or two that I felt were biased, but in the final analysis, it comes down to production. If you do a job well and continue to produce, you'll find that people want you there.

"If you have a good work ethic, you can do anything."

Rodney Taylor, a unit manager at California State University-Long Beach, had a great manager when he started out.

JOB$ '89

BENEFITS



CUT-AND-PASTE BENEFITS

Mixed results from the past year show that restaurant operators still are in a quandary about benefits plans. They must remain competitive to attract new workers, but some are trimming plans due to escalating insurance costs and proposed government regulations.

Change in benefits	Total	Comm.	Inst.
Added benefits	41.5%	39.3%	44.4%
Trimmed benefits	41.4	45.5	36.1
Eliminated benefits	8.6	12.0	4.0
Set up "cafeteria" plan	14.8	9.7	21.5

PERKS TODAY AND TOMORROW

Dental insurance is still in hot demand but the percentage receiving coverage has increased more than 100% since 1979. Another hot benefit: 401k plans.

Benefits	Currently receive	Added in Past Year	Would like to Receive
Paid vacation	91.4%	6.7%	1.7%
Medical insurance	87.1	16.3*	16.0*
Disability insurance	52.6	7.3	5.0
Dental insurance	51.7	21.4*	29.5
Education reimbursement	41.8	1.1	7.4
Pension plan	40.4	9.8*	22.2
Relocation costs	24.2	—	1.1
Profit sharing	20.9	2.1	13.5
Flex time	18.2	—	2.3
401k plan	15.2	9.7	6.1
Company car	13.8	—	7.0
Stock options	13.4	2.7	8.2
Paid maternity leave	10.4	—	2.1
Child-care subsidy	2.5	0.8	6.7
Optical	—	3.0*	8.2

* better or additional coverage, including 100% paid

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GENERAL MANAGER

Average age: 36.4
Average salary: $37,000
Average raise: 7.1%
Average bonus: 8.8%

Chuck Bolin, 61, has been the general manager of the Vista Hills Country Club in El Paso, Texas, for the past seven months. For 27 years, Bolin served in the Air Force, retiring as a Chief Master Sergeant more than 14 years ago.

"A good benefits package is vital to our industry. With the labor situation today, you have trouble attracting any employee, never mind the caliber of person that is going to play a major part in making your operation a quality operation.

"The benefits offered weighed heavily in my decision to take a job. The quality of the benefits make a statement about the quality of the club.

"Benefits packages have really improved over the years. Right now I receive major medical and hospitalization, three-weeks paid vacation, free meals for myself and my wife, a 40% discount on meals and merchandise for my family, disability, life insurance and a car allowance.

"They're implementing a profit-sharing plan next year and I think that will have a tremendous effect on the management staff."

***Coming up:** Look for JOB$ Part II in the Aug. 21 issue of* R&I. *It will analyze attitudes about current jobs and what the future might hold for foodservice professionals.*

Chuck Bolin, general manager of Vista Hills Country Club in El Paso, Texas, says good benefits are crucial.

ACTION EXPRESS

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	**Inquiry No.**
Allen Canning (p.92-95)	**31**
Alto-Shaam, Inc. (p.123-126)	**38,39,40,41**
American Dairy Association (p.78-79)	**23**
American Gas Association (p.139-146)	**190,235-240**
American Gas/Keating (p.199)	**67**
American Permanent Ware, Inc. (p.147)	**47**
Avant (p.207)	
B.K. Industries (p.197)	**121**
Beef Industry Council (p.99-101)	**33**
Bil Mar Foods, Inc. (p.84)	**25**
Borden Foodservice	
Eagle Brand (p.31)	**11**
Real Lemon (p.33)	**12**
Borden Refrigerated Foodservice (p.179)	**60**
Calavo Foods, Inc. (p.35-38)	**13,14,15**
Calavo Growers of California (p.41-43)	**16,17**
California Avocado Commission (p.154-157)	**51,52**
Cambro Mfg. Co. (p.82-83)	**24**
Campbell Soup Co. (p.107-109)	**34**
Capital City Prod. (p.178-L)	**90**
Carnation Co., Foodservice (p.170-171)	**57**
Classified Advertising (p.209-214)	
Coldwater Seafood Corp. (p.134-135)	**44**
Coors Biotech Prods. Co. (p.208)	**79**
Custom Foods (p.148-149)	**48**
Del Monte Foodservice (p.168-169)	
Dole Packaged Foods (p.189)	
Durkee-French Foods, Inc. (p.103-105)	**94**
Electric Eel Mfg. Co., Inc. (p.207)	**76**
Farmland Foods, Inc. (p.69,71,73,75)	**22**
Fisher Cheese Co., Div. Borden Refrigerated Foodservice (p.179)	**60**
Fort Howard Corporation (p.182-183)	**62**
Foster Farms (p.178-C-178-E)	**85**
Fritolay Inc. (p.178-I-178-J)	**88**
General Mills, Foodservice Div. (p.112-115)	**36**
Heinz Co., H. J. (p.16-21)	**7,8**
Hobart Corp. (p.IBC)	**82**
Hormel & Co., George A. (p.128-129)	**42**
Hunt-Wesson Foodservice Div. (p.7-10)	**2,3,4**
Iceland Seafood Corp. (p.64-67)	**20-21**
Idaho Potato Commission (p.184)	**63**
Infornet (174-175)	**150**
International Cold Storage Co., Inc. (p.200)	**68**
International Council of Shopping Centers (p.204)	**73**
Jennie-O-Foods, Inc. (p.153)	**49**
John Morrell (p.203)	**72**
Karp & Sons, L. (p.63)	**19**
Keating of Chicago, Inc., American Gas (p.199)	**67**
Kronos-Central Prods., Inc. (p.196)	**120**
Lancaster Colony Commercial Products (p.208)	**78**
Le Gout Foods, Div. Fearn International, Inc. (p.187)	**64**
Lincoln Foodservice Products, Inc. (p.138)	**46**
McCormick/Schilling (p.88-89)	**29,30**
McGlaughlin Oil (p.207)	**77**
Marzetti Company, T. (p.178-K)	**89**
Minute Maid Foodservice Group, a division of Coca Cola Foods (p.3,205)	

continued on page 215

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800.

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

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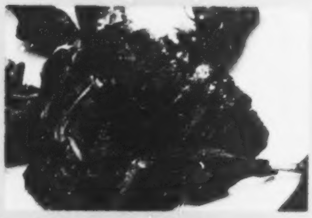
McDONALD'S PART II: THE INSIDE STORY...44

JOB$: Institutional workers say they're underpaid..............74

R&I Computer Catalog: Innovative software & hardware....135

Food: Unusual twists add variations to veggies..................146



Top chefs share best duckling recipes...102

AUGUST 21, 1989

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CONTENTS

VOL. 99 NO. 22

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS
A summary for busy readers 5

COMMENTS
The far-reaching influence of McDonald's 11
Operations in this issue 11

VIEWPOINT
Institutional agendas define industry as a whole 12

R&I FORUM
Reader's Comments: Trademark rights, false advertising laws enhanced 16

R&I REPORT
Business: Making sweat equity pay off 20
Politics: PACs, honoraria under attack 24
Fast Food: Green lights turn yellow for some double drive-thrus 30
Labor: Godfather's, Max & Erma's write fun into job description 34

R&I SCENE
1989 Ivy Awards dinner 39

R&I EXCLUSIVE
Industry Leaders: Inside McDonald's 44

R&I FOCUS
Annual JOB$ Survey: More than a day's work (second in two-part series) 74

MENUS
Menu Concepts: Desserve Cafe offers low-fat mini-desserts 92
Menu Census: Cheesecake hailed as good seller 93
Design: Bella Luna commissions young artist for menu cover 98

TASTE
Menu Trends: Beyond Duck à l'orange 102

INDEPENDENTS
Hotline 125

LIQUID ASSETS
Marketing: Made-in-the-USA brews maintain competive edge 129

COMPUTER CATALOG
Systems: The byte stuff '89 135

FOOD
Produce Preparation: Versatile vegetables 146

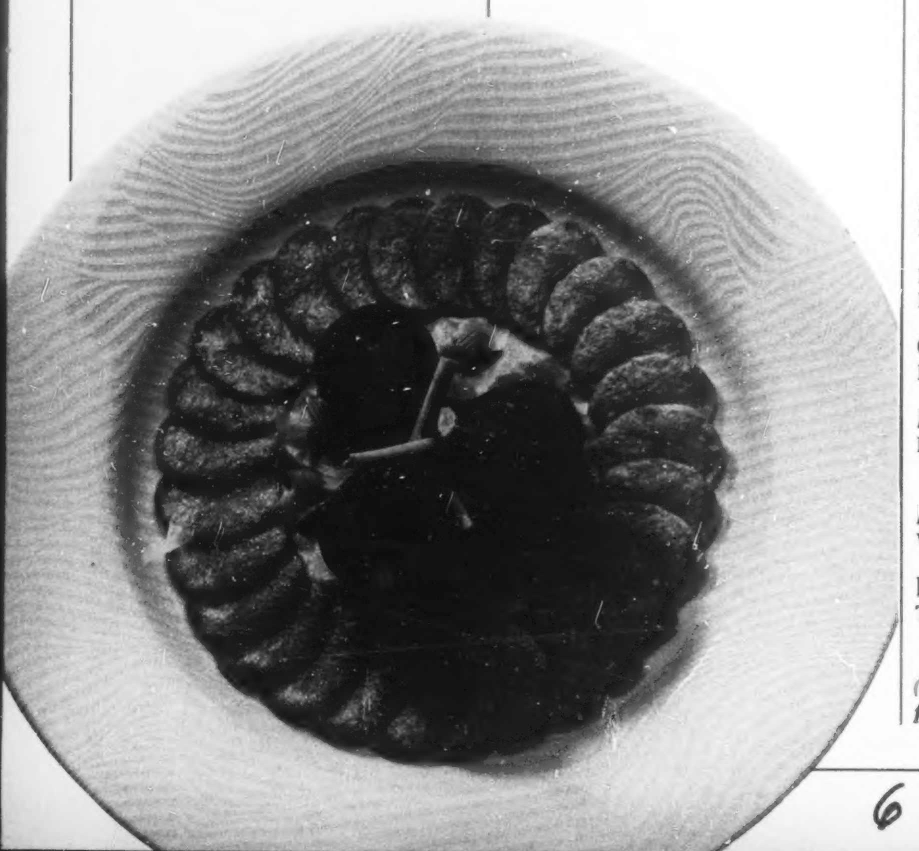
MARKETPLACE
Breakfast: Fragrant morning glories from the baker's oven 164
Breakfast Bread Products 170
Buyers Mart: Products 173

CLASSIFIED ADS
Buying, selling, changing jobs 188

ACTION EXPRESS
For more information about products 196

ADVERTISERS INDEX
Where to find ads in this issue 196

READER SERVICE CARD
To send for more information 197



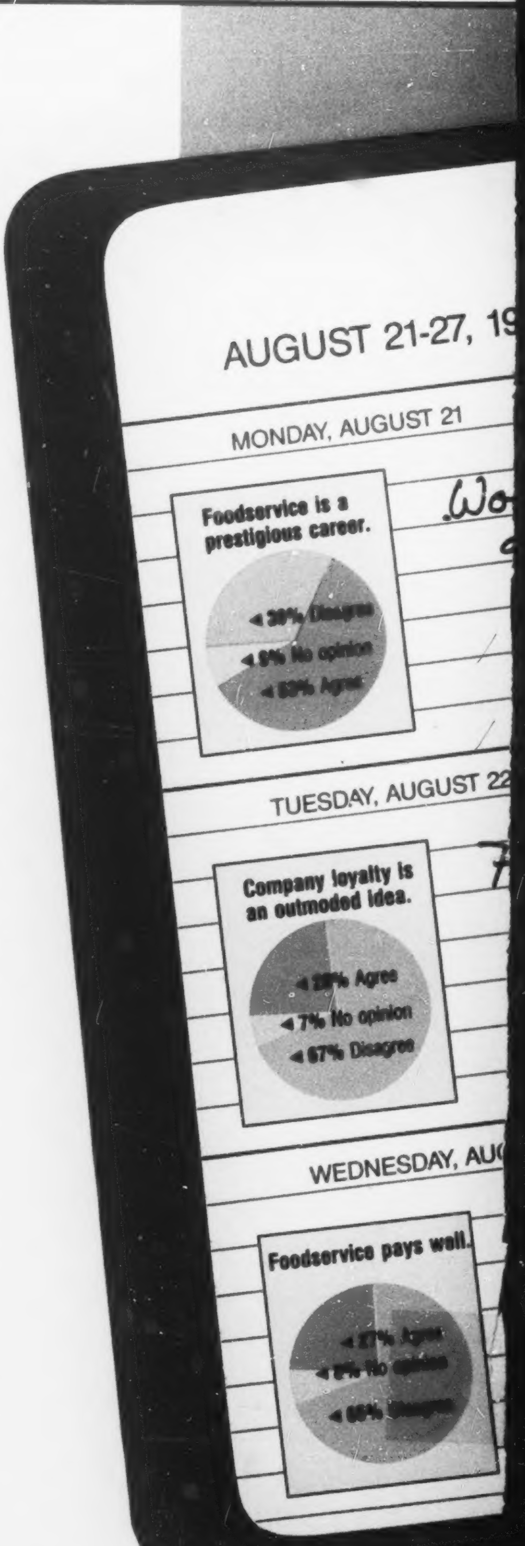
(L.) Stuffed Long Island Duck Legs, prepared by the 1988 U.S. Culinary Team.

ANNUAL JOB$ SURVEY

MORE THAN A DAY'S WORK

The demands and frustrations are unending, but foodservice executives relish the challenge.

By Jeff Weinstein and Beth Gotschall



Foodservice may be just a job when short-sighted management limits an executive's role and imagination. But it becomes a career when ideals are upheld, the work is challenging and the organization gives emotional and financial support to its executives.

Part II of *R&I*'s 21st annual JOB$ survey, which examines the career attitudes of foodservice executives, shows that when a job is challenging, the rewards outweigh the frustrations. It also reveals that moving up through the ranks or into private enterprise is the goal of the ambitious, especially chefs and unit managers.

For companies looking for ways to reduce management turnover, the survey indicates that job security and a clear career path are key motivators for today's top personnel. But the survey indicates that only 36% of respondents feel secure in their jobs. And while 67% still believe in company loyalty, it cannot be bought when commitment falls short—and only 27% say a clear career path has been communicated.

In the battle for equality, the foodservice industry appears to be making small gains. There are more female managers, but the industry's record on promoting females is far from perfect. Women say they still must work twice as hard to make half the progress and grasp every available option to succeed, often at the expense of their personal lives.

Also, racial discrimination is still evidenced by survey results that show 86% of blacks, 65% of Hispanics and 59% of Orientals reporting instances of discrimination.

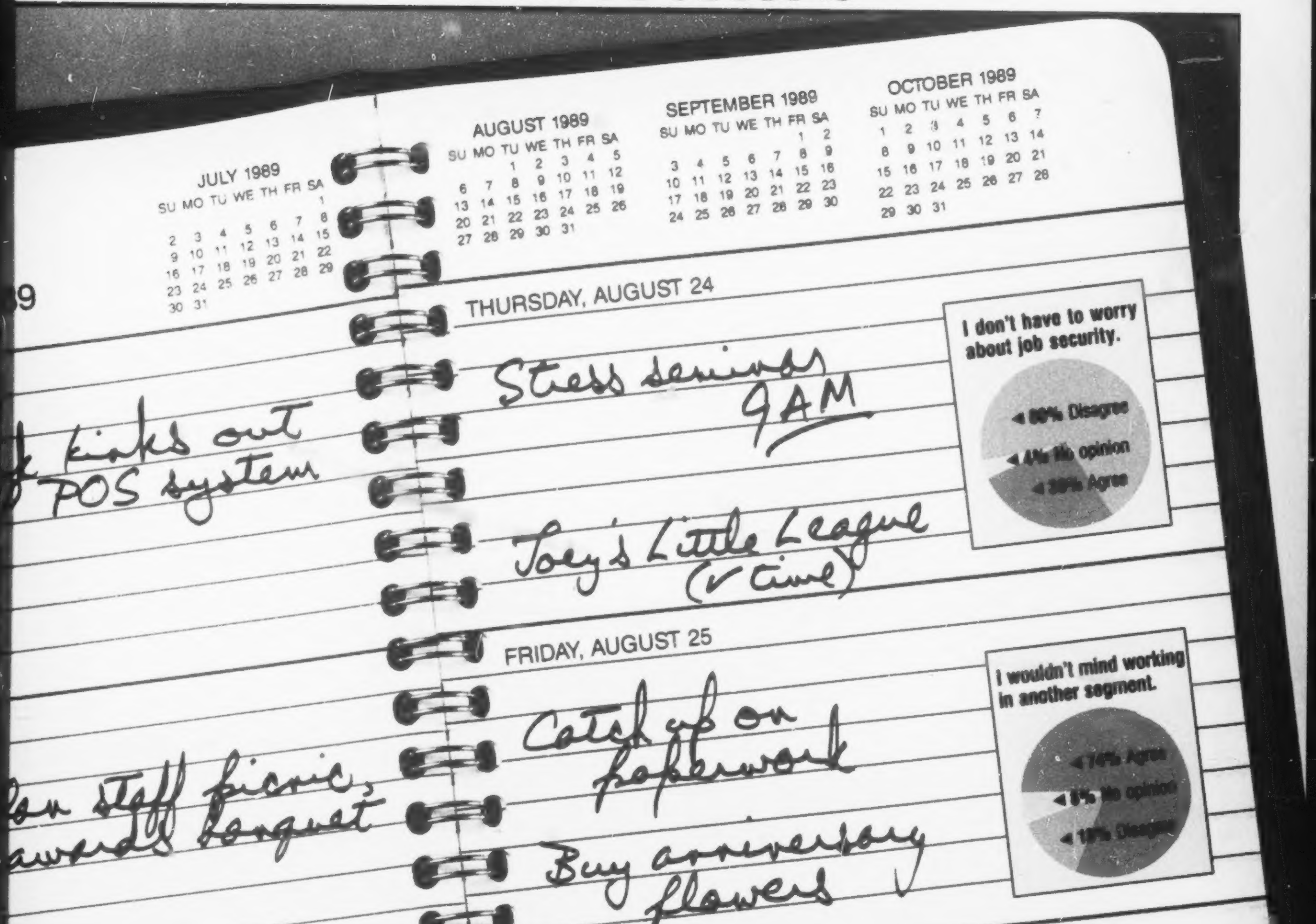
The demands of a career in the hospitality industry still have a negative impact on life outside the office. Because of long hours and unexpected personnel problems, the personal relationships of unit managers and food and beverage directors suffer most often. For those looking for more stability, life in an institutional setting trades "glamour" for time to fulfill private needs and desires.

Respondents to the survey deal with the stress of a long work week in different ways. For executives working 70 to 80 hours a week, a varied schedule, including community relations work, can help balance the load. Computerizing operations, especially on the institutional side, helps ease the paperwork burden that can overwhelm a manager.

Along with an array of data drawn from the survey, the following pages contain profiles of executives from various segments of the industry. As in Part I of *R&I*'s JOB$ Survey (Aug. 7), their stories support the statistics on the satisfactions and frustrations of a foodservice career. In general, these foodservice professionals say they are happy with their chosen field, but need respect, support and the assurance that they are making an important contribution to their organization.

continued on page 80

RESTAURANTS & INSTITUTIONS


JULY 1989
AUGUST 1989
SEPTEMBER 1989
OCTOBER 1989
THURSDAY, AUGUST 24
Stress seminar 9AM
Joey's Little League (✓ time)
I don't have to worry about job security.
60% Disagree
4% No opinion
36% Agree
FRIDAY, AUGUST 25
Catch up on paperwork
Buy anniversary flowers ✓
I wouldn't mind working in another segment.
74% Agree
8% No opinion
18% Disagree
SATURDAY, AUGUST 26
~~Vacation Day~~
Staff meeting/ discuss retention problems
SUNDAY, AUGUST 27
Revise lunch menu
Company has laid out clear career path.
27% Agree
14% No opinion
59% Disagree
kinks out POS system
lan staff picnic, awards banquet
ST 23
Meet with VP for career/ salary review

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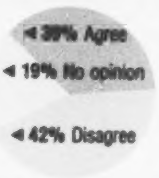
JOB$ '89

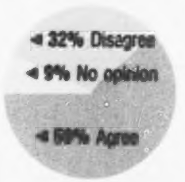
continued from page 75

PROSPECTS

Foodservice offers better opportunity for advancement.



My organization lives up to its commitments.



VICE PRESIDENT

Avg. hours per week: 58.9
Challenged by job: 84.1%
Frustrated by job: 44.5%
Having fun on job: 34.8%
David Freed, 36, is vice president of support services at The Mount Sinai Medical Center in New York.

"I've noticed pervading bias against the hospitality industry. Support services like foodservice and housekeeping are somehow considered second class in so many industries, especially health care.

"We don't conquer diseases or further clinical research. Rather, it's thought that support services divert funds that could otherwise be channeled into these primary missions. More than ever, we are pressured to reduce costs and improve services at the same time. The resulting conflict can be extremely demotivating.

"Support-services managers are too often viewed as less sophisticated, an attitude reinforced through compensation, career ladders, physical facilities and communication—there is the belief that if it isn't cooked or cleaned, support services doesn't need to know about it. It's a source of frustration.

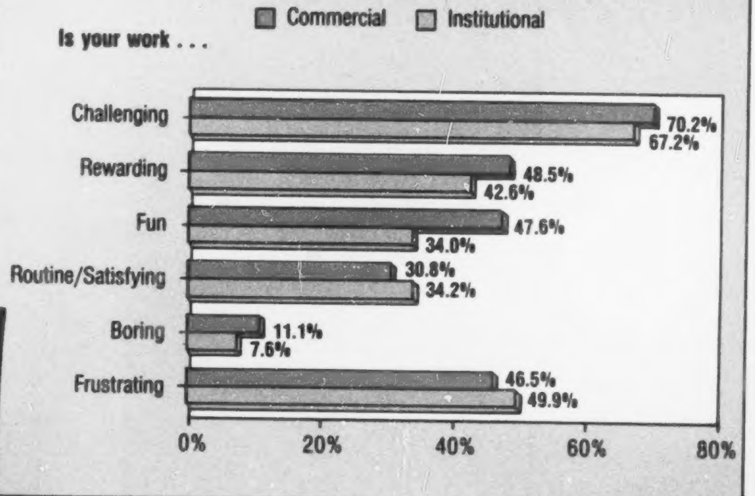
David Freed, vice president of support services at The Mt. Sinai Hospital, New York.

"By the same token, it's a source of challenge. In a good facility, there is a tremendous opportunity for innovation. I've seen a change in attitude occur within our industry. The ability to bring professional concepts and professional people to the institutional side of foodservice is worth the price of admission alone."

ATTITUDES

INDUSTRY IMPRESSIONS

The challenges and rewards of a job well done and guest satisfaction still outweigh the frustrations brought about by problems such as labor shortages.



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continued on page 84

JOB$ '89

continued from page 80

ASSISTANT UNIT MANAGER

Avg. hours per week: 53.1
Challenged by job: 45.2%
Frustrated by job: 55.1%
Having fun on job: 40%

N.C. Drummond, 27, recently quit his position of two years as assistant unit manager at a casual/theme restaurant chain after the effects of a corporate buyout became too frustrating.

"When I first started with this restaurant company, they were very high on communication. There were weekly meetings between management and employees and between company executives and unit management. You felt like you were somebody, like the company cared. The founder and president was really a people person and everyone knew what was going right, what needed work, what the game plan was for the immediate and long-term future. We were a team.

"About a year later, the founder sold the company, agreeing to stay on for one more year. But when he retired, everything changed.

"The new corporation was totally bottom-line profit oriented. We were not being run by managers, we were being run by a budget, by some white shirt and tie in a room with a computer. Budgets were cut to unworkable levels and the managers were saying, 'I can't run this restaurant on nickels and dimes.' They were being forced to do a job and were not given the resources to do it. The pressure was so high that everyone was too busy covering themselves to run things in the best interest of the restaurant.

"There was a lot of robbing Peter to pay Paul. So if the food costs were too high, corporate cut the maintenance budget to offset it, and we didn't have the money to pay for anything but surface cleaning. When they got word that someone from corporate was coming in for an inspection, we had to arrange for an all-night cleaning party, busing people in from the other restaurants. It was frantic and inefficient. But it was the only way they knew how to deal with it without increasing the maintenance budget to where it should be.

"And when we came close to getting the food costs in line, corporate would issue coupons for high dollar amounts without realizing that made food costs rise. I tried to explain that, but they didn't listen—or they didn't care.

"Corporate thought if they ranted and raved enough, something magical would happen and the budget would come in line. You can bet there was a bit of number fudging going on, indicating inventory that didn't exist to make the books look good. That might cover it for the short term, but it will eventually snowball. You can't sell what you don't have. It was a mess. Yet all this pressure to cut costs had profits way up—that's all they saw. But the restaurants were falling apart and they were burning up managers.

"Communication had completely disintegrated—we hadn't had a staff meeting in two and a half months. Each manager came in and did their shift their way. The staff was completely confused and morale was at an unbelievable low. It got to the point where I was just spending time, and that's why I left.

"My wife summed it up this way: 'If you feel you're being abused and nobody cares about you, you're going to reflect that to your employees and customers.' When the customers think you don't care, you're lost.

"One of the first things I asked when I interviewed for my new job was 'How much are you paying your staff?' If I've learned one thing, it's that the amount you pay your people reflects your attitude toward them and their work. What kind of people do they think are going to give 110% for $4 dollars an hour. The kids working for me are from the inner city because suburb kids just won't take on the jobs. And these kids have a long bus ride to work or drive cars that need repair, and they can barely afford to get to work on the money they're making.

"One of the corporate executives came in before I left. I was hoping he'd heard I had put in my notice because if he came to me to complain about something, I would have said, 'Excuse me, you're confusing me with someone who cares.' "

PRIORITIES

SPREADING YOUR WINGS

Until about age 40, foodservice executives are increasingly motivated by an opportunity for more responsibility. But this year, money is playing a greater role in decisions to change jobs of those up to age 55.

Why left last position	Avg.	25 or less	26-35	36-45	46-55	56-65	Over 65
More responsibility	42%	50%	48%	39%	36%	27%	25%
More money	22	20	23	20	23	16	5
Relocated	6	3	[illegible]	7	4	8	22
Laid off/fired	6	2	8	6	5	5	0
Company sold/closed	5	2	4	6	6	9	12
Started own business	3	0	2	4	5	2	0

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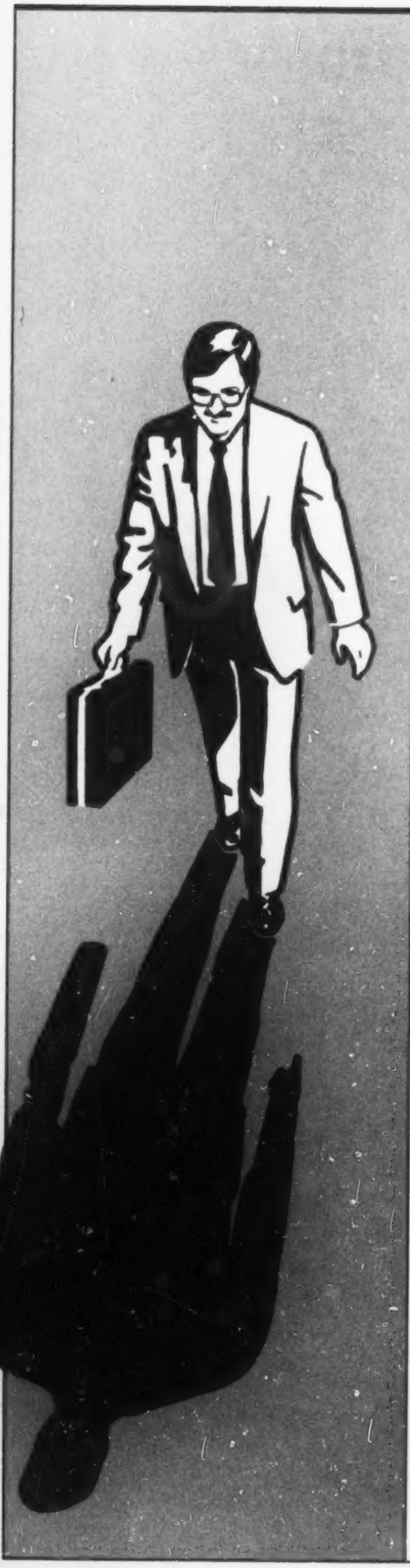
JOB$ '89



DIETITIAN

Avg. hours per week: 40.6
Challenged by job: 58.3%
Frustrated by job: 49.7%
Having fun on job: 24.9%

Thomas Murphy, 27, a licensed dietitian, is the assistant director of nutrition services at East Liverpool City Hospital in East Liverpool, Ohio.

"I worked for a few years as a clinical dietitian for a 500-bed nursing home. I got very bored very quickly. There was no variety, no motivation. I was beginning to think I'd made a very big mistake in career choice—I just wasn't enjoying my job.

"When I interviewed for this position, I was taken with the challenge. They started a diversification program that includes catering, feeding for a couple of nursing homes and facilities for the handicapped. My capabilities have really expanded.

"Every day is different; new projects come up all the time. This job has opened my eyes and changed my expectations about my future as a dietitian. The responsibilities entrusted to me have made me realize how flexible my degree really is. If I wanted to, I could go into sales, corporate wellness, coordinate special programs, you name it.

"Because East Liverpool City Hospital is excellent about grooming people for higher positions, that sense of loyalty becomes mutual. It's a basic thing, but you'd be surprised at how many operations miss the boat when it comes to treating employees well and letting them know there's a future."

Thomas Murphy is assistant director of nutrition services at East Liverpool Hospital in Ohio.

GOALS

GREAT EXPECTATIONS

Moving up in the ranks or moving out into private enterprise are goals of ambitious foodservice executives. Twice as many males as females want to own their own operation, while almost 20% of females want to change industries altogether. Among minorities, 48% of Hispanics aspire to own a restaurant.

5-year goal	Regional Manager	Unit Mgr.	Asst. Mgr.	Dietitian	Asst. F&B Dir.	Chef
In a better job in this organization	43%	37%	35%	28%	44%	21%
Owning my own foodservice operation	29	34	30	14	15	39
Where I am now	4	5	2	15	0	11
In a different industry altogether	11	22	24	18	19	11
In a different organization, but same segment	15	9	12	23	25	[illegible]

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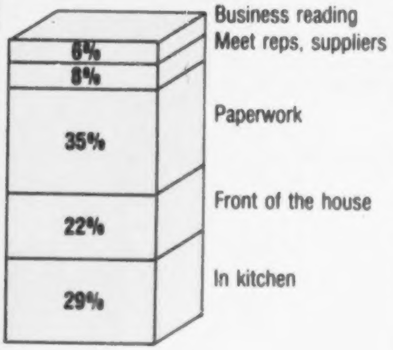
TIME

A DAY IN THE LIFE

The burdensome supply of paperwork takes up 48% of an institutional executive's time, while commercial managers spend 30% of their day in the front of the house, overseeing operations and greeting guests.

Time spent on daily tasks (Industry-wide average)



OWNER

Avg. hours per week: 60.5
Challenged by job: 79%
Frustrated by job: 38.2%
Having fun on job: 45.5%
Susan Doody, 54, opened her Lindey's restaurant in Columbus, Ohio, eight years ago. She was recently chosen as woman entrepreneur of the year by the accounting firm of Arthur Young and Co. and Inc. *magazine, both for her success with Lindey's and her involvement in the community.*

"I probably work anywhere from 70 to 80 hours a week, but the things I'm doing in those hours are varied, so it keeps things lively. I have definitely found that the success of the restaurant is directly proportionate to the number of hours I work. But all that time isn't just spent at the restaurant; I'm very involved in the community.

"Community work is important for an owner. Contacts made through outside work have helped my restaurant tremendously. It's good for my morale, too. The people involved in local causes and industries are my friends, and outside work has given me a very upbeat outlook.

"I've achieved a real balance in my life. I have no qualms about taking time out when I need it. And that goes for my managers, too. If I see them getting overwhelmed, I tell them to get out and relax for a while. That's the trick. I work a lot of hours, but I'm in control of the time. It's not in control of me. I derive so much enjoyment out of what I do, both at the restaurant and in the community, that I wouldn't change a thing."

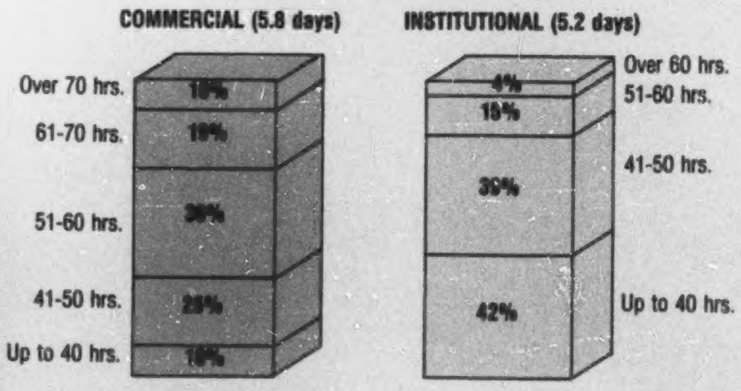
Susan Doody, owner of Lindey's, Columbus, Ohio, was honored by Arthur Young accounting firm.

HOURS

WORKING OVERTIME

The institutional sector trades "glamour" for time to pursue outside activities and fulfill private needs, while commercial operators face potential burnout much faster.

Hours worked per week



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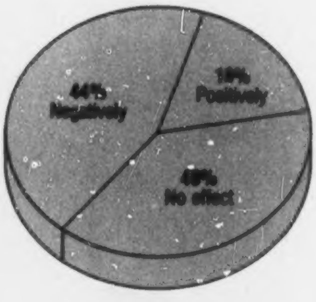
PRIVATE LIVES

WEDDED TO WORK

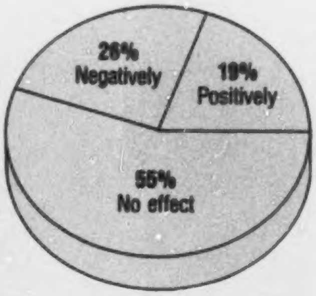
Survey results indicate that females are better at juggling a career and a relationship. The personal lives of unit managers (59%) are the most adversely affected by work.

How career affects personal relationship.

MALE



FEMALE



CORPORATE EXECUTIVE

Avg. hours per week: 48.9
Challenged by job: 83.3%
Frustrated by job: 40.9%
Having fun on job: 49.6%

Debi Benedetti is a regional vice president at Bon Appétit Foodservice Management Co. in San Francisco. Prior to her present position, she worked her way up to district manager after 18 years with a large foodservice contractor.

"When I started out in foodservice, right out of college, there was a great deal of discrimination against women. It was not a malicious kind of discrimination, it was simply the way things were. At that time, women were the cooks, the dietitians, the technical people; they weren't in management.

"The culture was set by men who lived in the 'good ole boy' network mentality. I think it was a matter of comfort. They were more comfortable and had a built-in rapport with other men. But I didn't let any of this stop me.

"The old saying, 'A woman has to work twice as hard to get half the distance,' was very true. I had to volunteer for every committee, accept all the special projects and keep my performance level very high because I was being judged against the men. I accepted every move, every transfer at the expense of a lot of my personal life. But I cannot begin to tell you how much it has benefited me now. I'm not at all bitter because all that work made me what I am and got me where I am, in a job I absolutely love." R&I

Debi Benedetti is regional vice president at Bon Appétit Foodservice Mgmt. in San Francisco.

DISCRIMINATION

ON THE SURFACE

Job discrimination is still a major complaint among minorities. Overall, the percentage citing racial discrimination dipped slightly, while age and sexual discrimination complaints increased from 5% to 7%.

Has a foodservice employer discriminated against you?

	White	Black	Hispanic	Oriental
Race	8%	86%	65%	59%
Religion	6	0	0	0
Age	59	21	35	48
Sex	51	29	6	24
Response to perceived discrimination				
Did nothing	49%	33%	55%	55%
Left the company	30	46	31	14
Protested internally	24	30	28	45
Filed EEOC complaint	3	0	0	0

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
Allen Canning (p.152-153)	59
Amana, A Raytheon Co. (p.175)	67
American Dairy Association (p.168-169)	64
American Gas/Keating (p.59)	19
American Permanent Ware, Inc. (p.41)	14
Atlantic Chemco Corp. (p.185)	82
Avtec Industries, Inc. (p.186)	86
Bellsouth Services (p.172)	66
Beverage Air (p.65)	20
Blaze Products from Aaper (p.184)	78
Bloomfield Industries, Inc. (p.143)	55
Bud of California, From Dole (p.151)	58
Buffalo China, Inc. (p.117)	40
Bunn-O-Matic Corp. (p.131)	48
Calavo Foods, Inc. (p.18-19)	7
Calavo Growers of California (p.22-23)	8
California Avocado Commission (p.162-163)	63
Cambro Mfg. Co. (p.94-97)	31,32,33,34
Campbell Soup Co. (p.144-145)	56
Carnation Co., Foodservice (p.120-121)	43
Classified (p.188-194)	
Clear Springs Trout (p.100-101)	36
Coco Lopez (p.180)	70
Coldelite Corp. of America (p.184)	76
Commercial Aluminum Cookware Co. (p.159)	61
Continental Coffee Products (p.IBC)	91
Dannon Co. (p.177)	68
Del Monte Foodservice (p.82-83)	
Dixie Crystals/Savannah Food & Industries, Inc. (p.148-149)	57
Dole Packaged Foods (p.155)	
DuPont Canada, Inc. (p.122)	44
Durkee Foodservice Group (p.35-38)	13
Durkee-French Foods, Inc. (p.26-27,99)	
Dutchess (p.183)	74
Equal Low Calorie Sweetner (p.72-73)	23
Fishery Products, Inc. (p.28-29)	11
Follett Corporation (p.91)	30
Frymaster Corp., Div. of Welbilt Corp. (p.81)	26
Garland/A Welbilt Co. (p.132-133)	49
General Mills, Foodservice Div. (p.104-105)	37
George Little Management (p.115)	39
Hatco Corp. (p.134)	52
Hillshire Farms (p.127)	46
Hormel & Co., George A. (p.156-157)	60
Hospitality Mints (p.186)	84
Hunt-Wesson Foodservice Div. (p.7-10)	4
Iceland Seafood Corp. (p.54-57)	17,18
Imperial Cup (p.181)	97
Jeron Technologies (p.183)	98
Karp & Sons, L. (p.171)	65
Keating of Chicago, Inc./American Gas (p.59)	19
Kellogg Company (p.167)	95,96
Lancaster Colony Commercial Products (p.187)	90
Libbey Glass Foodservice, Libbey Glass Div. (p.25)	9
Lockwood Mfg. (p.184)	75
McCormick/Schilling (p.118-119)	41,42
Marsh Chalkboard Co. (p.187)	88
Micros Systems, Inc. (p.139)	53
Miller Brewing Co. (p.128)	47
Molded Fiber Glass Tray Co. (p.185)	81
National Coffee Assn of U.S.A. Inc. (p.85,87,89,91)	29
National Dairy Board/D.P.F.A. (p.109-114)	135

continued on page 195

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Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

C1850-3

R&I DESIGN AWARDS: KITCHEN FACILITIES WINNERS . . . 50

NAFEM unveils the new look in equipment...19

Food Chronicles: As American as pizza pie...............100

Chains: The dangerous downside of discounting.......133

How to streamline your menu with one-dish meals....154

nafem/89

SEPTEMBER 4, 1989

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CONTENTS

VOL. 99 NO. 23

JESSE H. NEAL
EDITORIAL
ACHIEVEMENT
AWARD

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 9

COMMENTS

New at NAFEM . . . 19
Operations in this issue 19

VIEWPOINT

A "Culina-ry" tale 22

R&I FORUM

Letters 24

R&I REPORT

Labor: Attractive uniforms provide needed dose of self-respect 28
Food Costs: Operators relay impact of last summer's drought 32
Legislation: Disabilities bill called "vague" 36
Economic Experts: Building plans offer clues to trends in foodservice growth 40

R&I SCENE

People, Places & Promos 45
Personal Glimpse: Paul Dobson 48

R&I EXCLUSIVE

Facilities Planning: 1989 kitchen design awards 50

MENUS

Menu Concepts: Bay Street's summer menu piques customer curiosity 95
Consumers' Choice: Veggie lovers 98

TASTE

American Cuisine: Pizza (another in *R&I*'s Great American Food Chronicles series) 100

CHAINS

Marketing: Competive pressure makes couponing a necessary evil 133

FOOD

Entrees: All in one dish 154
Healthline 168

MARKETPLACE

Buyers Mart: Products 173

CLASSIFIED ADS

Buying, selling, changing jobs 197

ACTION EXPRESS

For more information about products 204

ADVERTISERS INDEX

Where to find ads in this issue 204

READER SERVICE CARD

To send for more information 205

Foodservice Energy News, a service of the American Gas Association, follows page 144.

Duck breast stew with strawberries and shallots from L' Etoile in Madison, Wis.

R&I REPORT

■ **FOOD COSTS**

Operators Relay Impact of Last Summer's Drought

Full-service, college segments among the hardest hit by 1988's dry spell.

Mother Nature has been gentle on the nation's crop and livestock supply this summer, a positive sign for operators concerned about escalating operating costs and menu prices.

But a *Restaurants & Institutions* survey conducted in May asking operators to look back at the impact of the 1988 drought shows that 66% (60% commercial, 75% institutional) experienced higher than normal increases in food costs.

Sixty percent of full-service operators saw food costs take a big jump, compared to 55% among fast-food units. Among institutions, 90% of college and employee-feeding programs experienced food-cost increases as a result of last year's drought, compared to 70% for schools and just 50% for hospitals.

More than one-quarter of the survey respondents say food costs remained the same. But of those who say their food costs increased, 85% state that meat prices increased and 79% say dairy and vegetable prices showed upward price pushes.

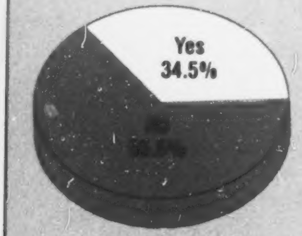
The survey also reveals that average food-cost increases ranged from a high of 10% for fruit to a low of 5.3% for dairy products, resulting in a 5.9% overall increase in menu prices. Commercial operators were more bold in their price increases (6.1% commercial, 5% institutional). Both full-service and fast-food operators have bumped prices about 6.8%, but the hotel/motel segment reports holding increases to 3%.

About 25% of the operators (35% commercial, 10% institutional) increased menu prices as a result of the drought. Another 19% are expected to raise prices an average of 7% by the fall.

When asked about the potential effect if another drought strikes in 1989, 71% of survey respondents (67% commercial, 77% institutional) foresee increases in their food costs. Again, more full-service operators (85%) anticipate higher food costs than other commercial segments. Also, 100% of college operators would expect higher food costs.

About 52% (55% commercial, 47% institutional) would expect to increase menu prices if dry weather hurts crop and livestock production in 1989.

However, through July, the weather had been kinder to crops, and commodity experts expected a better fruit and vegetable crop. Because planted acreage increased, the amount of feed available for livestock also was expected to increase. —*J.W.*

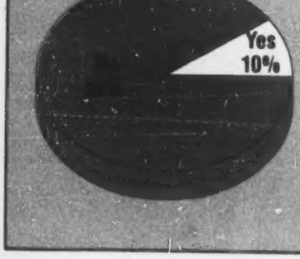


COMMERCIAL

DID YOU RAISE PRICES AS A RESULT OF '88 DROUGHT?

A total of 24.5% of all operators responding to *R&I*'s May survey say they raised menu prices because of the 1988 drought. Only 10% of institutional operators, however, were forced to increase prices, compared to 35% of commercial operators. Another 19% say they plan to boost prices between May and November as a result of last summer's dry weather. Again, more commercial operators (29%) are planning increases.

INSTITUTIONAL



AVERAGE FOOD-COST INCREASES

As a result of the 1988 summer drought, respondents to a *Restaurants & Institutions* survey report food-cost increases ranging from 10% for fruit to 5.3% for dairy products.

	Total	Commercial	Institutional
Fruits	9.99%	10.42%	9.69%
Poultry	9.74	9.30	10.47
Vegetables	9.19	9.20	9.17
Meats	8.44	8.05	8.94
Fish/seafood	8.42	8.18	8.72
Dairy products	5.34	5.78	4.85

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■ **ECONOMIC EXPERTS**

Building Plans Offer Clues to Trends in Foodservice Growth

Growth in construction-permit activity points to steady growth through '91.

Trends in the construction of retail, office, hotel, hospital and educational facilities can, indirectly, be a leading indicator for the future supply of foodservice establishments in these industry segments. Here is a look at the Cahners Economics forecast for building activity over the next couple of years.

Non-residential construction spending in the first four months of 1989 was 8.4% above year-earlier levels. Spending averaged $127.8 billion at a seasonally adjusted annualized rate. All sectors posted gains: Commercial building grew 6.9%, institutional construction rose 8.8% and industrial activity jumped 14.3%.

The value of permit activity over the same period indicates a similar pattern of growth. Permits for new commercial buildings were up 3.4%, institutional permits grew 6.5% and industrial permits were up 18.3%. This is a strong indication that moderate growth will continue the next few years.

Growth also is fairly well distributed across the country. So far this year, the Northeast, Midwest and West each account for about one-third of the year-over-year increase in nonresidential building permits. Activity in the South, however, remained flat.

In the overbuilt hotel and motel industry during 1988, mergers, acquisitions and consolidations were the rule as opposed to new construction. With occupancy rates firming up, however, new development should regain momentum. After a 10.6% drop in 1988, spending will remain flat this year, then rise by about 5% each year in the 1990-1991 period.

Over the next several years, the slump in home building, which began in 1987, will retard retail building. So far in 1989, permit values have declined 6.3% against year-earlier levels, with declines in all regions but the Northeast. After falling another 1.4% in 1989, spending should average 2.3% growth per year during 1990-1991.

The continued shake-up in the way health care is delivered to the public has some parts of the industry reeling while others are booming. Hospital construction continues to be weak because of changes in the Medicare system's method of reimbursement. Non-traditional segments of health care, on the other hand, are growing rapidly. Overall, spending for health-care construction will decline 6.4% this year to $8.9 billion. Next year, spending will fall another 4% before reversing to a 5.6% gain in 1991.

Eighty percent of spending for education construction came from state and local governments in 1988. Unfortunately, government coffers, which have been strong since 1985, will begin to dry up in the 1990s. In addition, the baby boomlet (baby boomers having children of their own) will begin to ease during the 1990s as many baby boomers move out of their child-bearing years. As a result, spending for new educational buildings will begin to slow. In 1989, spending will grow 8.9% to $15 billion. In 1990, spending will remain flat, and 1991 will bring a 3.1% decline. *—Kim Kennedy*

NON-RESIDENTIAL CONSTRUCTION SPENDING
(Billions of dollars)

After a year of minimal growth in 1990, foodservice should benefit from renewed momentum in construction spending in 1991.

	1989	1990	1991
Retail	$27.8	$28.4	$29.0
Office	27.3	25.1	26.2
Hotel	6.6	6.7	7.2
Total commercial	**61.6**	**60.2**	**62.4**
Total industrial	**14.9**	**15.1**	**15.8**
Health	8.9	8.5	9.0
Education	15.0	15.1	14.6
Other	21.5	24.5	27.2
Total institutional	**45.4**	**48.1**	**50.8**

Source: U.S. Commerce Department. Forecast: Cahners Economics.

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Advertiser	Inquiry No.
Allen Canning (p.46-47)	18
Alto-Shaam, Inc. (p.91-94)	34,35,36,37
American Egg Board (p.183)	76
American Gas Association (p.145-152)	190,235-240
American Gas/Midco Int'l., Ember-Glo® Division (p.144)	65
American Permanent Ware, Inc. (p.73)	25
American Wyott, Inc. (p.179)	74
Anchor Hocking Foodservice (p.123)	52
B.K. Industries (p.188)	80
Beef Industry Council (p.165-167)	68
Bell Atlantic Corp. (p.170-171)	70
Bil Mar Foods, Inc. (p.99)	39
Borden Foodservice Real Lemon (p.49)	19
Buffalo China, Inc. (p.175)	72
CPC Foodservice, Knorr (p.185)	77
Calavo Foods, Inc. (p.41-44)	15,16,17
Calavo Growers of California (p.37-39)	13,14
California Avocado Commission (p.124-125)	53
Cambro Mfg. Co. (p.96-97)	38
Campbell Soup Co. (p.135,137,139,141)	60,62,63
Capital City Prod. (p.164-C-164-E)	99
Carnation Co., Foodservice (p.88-89)	33
Champion Industries (p.193)	85
Coco Lopez (p.189)	81
Coldelite Corp. of America (p.196)	95
Coldwater Seafood Corp. (p.128-129)	56
Commercial Aluminum Cookware Co. (p.191)	83
Custom Foods (p.74-75)	26
The Delfield Company (p.77,79,81)	27
Dole Packaged Foods (p.140)	
Electric Eel Mfg. Co., Inc. (p.196)	93
Equal Low Calorie Sweetner (p.82-83,85)	30,31
Frymaster Corp., Div. of Welbilt Corp. (p.127)	55
General Foods Corp., Boboli (p.105)	41
General Mills, Foodservice Div. (p.102-103)	40
Glenco-Star (p.70-71)	24
The Hall China Co. (p.186)	78
Hobart Corp. (p.IBC)	96
Hollowick, Inc. (p.196)	92
Holly Farms Foods, Inc. (p.180-181)	75
The Homer Laughlin China Company (p.130)	57
Hormel & Co., George A. (p.142-143)	64
Hunt Wesson Foodservice Div. (p.13-18)	5,6,7
Iceland Seafood Corp. (p.60-63)	20,21
Jade Range Co. (p.195)	89
John Morrell (p.172)	71
Kellogg Company (p.169)	
Knorr, CPC Foodservice (p.185)	77
Kronos-Central Prods., Inc. (p.136)	124
Lancaster Colony Commercial Products (p.194)	87
Le Gout Foods, Div. Fearn International, Inc. (p.163)	67
Lincoln Foodservice Products, Inc. (p.65)	22
McCormick/Schilling (p.106-107)	42,43
McGlaughlin Oil (p.196)	94
Marzetti Company, T. (p.164-G)	101
Master Disposers, Inc. (p.195)	91
Merico, Inc. (p.7)	1

continued on page 203

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C1850-3

EXCLUSIVE: R&I AWARDS HONOR BEST INTERIOR DESIGN...44

Taste: Well-seasoned menu explores new spice routes...104
R&I Report: Recycling; mandated health bill.................22
Food: Power breakfasts full of nutritional punch..........180

nafem 89

Bonus section: "New at NAFEM" products...166

SEPTEMBER 18, 1989
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SEPT. 18, 1989

CONTENTS

VOL. 99 NO. 24

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

Starting the day right 11
Operations in this issue 11

VIEWPOINT

Breaking fast 14

R&I FORUM

Reader's Comments: How to avoid workplace liability 18

R&I REPORT

Alcohol Consumption: Drunk-driving issue resurfaces 22
Legislation: Industry confronts expensive mandated health benefit bills 24
Foreign Relations: American business meets *glasnost* 26
Industry Issues: Companies combat solid waste 30
Meeting Report: ACF spotlights "Chef and Child" 32

R&I SCENE

People, Places & Promos: Clothing company opens modern diner 38
Personal Glimpse: Mary Ann J. Boyle 40

R&I EXCLUSIVE

Design Awards: 1989 Interior Design Awards 44

MENUS

Menu Concepts: Red Onion rolls out most extensive menu to date 95
Menu Design: Salud menu pays tribute to Mexican Indian art 102

TASTE

Menu Trends: The well-seasoned menu 104

LIQUID ASSETS

Food Matches: Champagnes form happy marriage with many foods 133

RESTAURANT WINE™

Beverage Guide: Chardonnay: a golden opportunity 139

INSTITUTIONS

Schools: Booming enrollments give foodservices growing pains 145

EQUIPMENT

Employee Restaurants: Institutional cafeterias cater to specialized patrons 159
'89 NAFEM Showcase 166

FOOD

Dayparts: The new power breakfast 180

MARKETPLACE

Menu Merchandising: Plate appeal without peel 202
M&M Products: Convenience potatoes 209
Buyers Mart 211

CLASSIFIED ADS

Buying, selling, changing jobs 239

ACTION EXPRESS

For more product information 250

ADVERTISERS INDEX

Where to find ads in this issue 250

READER SERVICE CARD

To send for more information 251

(L.) Sweet and spicy dessert from The Rattlesnake Club, Denver.

R&I FORUM

TAKE NOTE

In the Aug. 7 *R&I* Exclusive, "The Inside Story on Executive Pay," commercial and institutional average-raise figures on p. 52 were transposed. The correct data follows:

Avg. Raise	Comm.	Inst.
1%-5%	34.1%	63.6%
6%-10%	27.6	24.7
11%-15%	7.3	3.6
16% +	9.8	2.0
No raise	18.7	5.7
Pay cut	2.5	0.4

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■ READER'S COMMENTS

Avoid Workplace Liability

Every foodservice operator knows that mistakes in labor and employment matters can be costly. Damages paid to employees, lost management time, attorneys' fees and low employee morale too often are the result of avoidable errors.

Consider these suggestions for protecting your business:

1. Check your documents. In many states, discharged employees can recover thousands of dollars if they can establish they were wrongfully discharged. References in employment documents to "permanent" employment and all guarantees that employees will only be dismissed for "good cause" or "just cause" should be eliminated.

2. Preserve employees' at-will status. In California and other states, employers can insulate themselves from some wrongful discharge suits by inserting protective language in employment applications and other employment documents. All employees should acknowledge, in writing, that they can be discharged at any time, for any reason, with or without cause.

3. Stay off the testing band wagon, but address workplace substance abuse. The legal dos and don'ts of drug testing in the workplace still are being sorted out in the courts. Employers should resist the temptation to adopt on-the-job drug testing simply because it has become fashionable. It is far better to let someone else use his nickel to litigate drug-testing issues.

Many restaurateurs find their policies inadequate to the purpose of disciplining employees for workplace use or distribution of alcohol or drugs. Employers should adopt strong, specific policies addressing these issues, including a provision that violation is grounds for discipline, including immediate termination.

Prudent employers also will acquaint themselves with applicable state law. In California, for example, private employers with more than 25 employees are required to reasonably accommodate any employee who wishes to voluntarily enter and participate in an alcohol- or drug-rehabilitation program.

4. Take the I-9 seriously. The Immigration and Naturalization Service is handing out hefty fines to employers who fail to dot all the i's and cross all the t's on the I-9 form. Because employers are chosen for audit by random selection of taxpayer I.D. numbers, no one in the foodservice industry is safe unless in full compliance.

5. Outlaw Sexual Harassment. Sexual harassment is the most heavily litigated area of employment discrimination.

Every employer should adopt a policy specifically prohibiting sexual harassment. Provision should be made for the aggrieved employee to complain to someone other than his or her immediate supervisor.

Just declaring sexual harassment unacceptable is not enough. Complaints must be promptly investigated. Employees must understand that sexual gestures, jokes, sexually suggestive pictures or cartoons, blocking, bumping and a host of other unwelcome conduct might create a "hostile environment."

Sexual harassment is serious business. When a supervisor or manager has engaged in harassment, the employer can be held strictly liable. And in many states, if employers are aware of harassment, but fail to act to eliminate it, they can be held *individually* liable.

6. Abandon Polygraphs. The federal Employee Polygraph Protection Act of 1988 prohibits most private employers from using polygraphs for pre-employment screening, or during the course of employment. The restrictions in this new statute are so stringent, and the penalties for violation so severe, that no employer should use polygraph exams in the workplace without the benefit of counsel from an attorney familiar with the intricacies of the statute.

By following these suggestions, restaurant operators can avoid or limit liability for potential labor and employment law violations.

R. Craig Scott, Sheppard, Mullin, Richter & Hampton (a law firm), Newport Beach, Calif.

ATTENTION, OPERATORS: *R&I* Forum represents the views of its contributors, but not necessarily those of the magazine. We welcome your comments and responses. Address letters to: The Editor, *Restaurants & Institutions*, 1350 E. Touhy Ave., Des Plaines, Ill. 60018.

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; Charles E. Moodhe, Senior Vice President/General Manager; Peter T. Orsi, Senior Vice President; Thomas J. Dellamaria, Vice President Production and Manufacturing.

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Barry H. Reese, Publishing Director; Jane Young Wallace, Vice President/Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Corinne Zollars, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

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Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Candice J. Hammett, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: (212) 635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: (203) 328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: (212) 463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: (216) 696-1800. **Southeast:** Thomas McElhinny, Regional Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: (404) 955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone (415) 981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: (714) 851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: (713) 497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: (214) 980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: (03) 366-8301.

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ADVERTISING INDEX

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Advertiser	Inquiry No.
Alto-Shaam, Inc. (p.87-90)	27,28,29,30
American Dairy Association (p.84-85)	26
American Gas/Hobart (p.13)	5
American Gas/Vulcan Hart (p.221)	78
American Permanent Ware, Inc. (p.156)	54
American Wyott, Inc. (p.157)	39
Anchor Hocking Foodservice (p.126)	40
Arctic Alaska Fisheries Corp. (p.36)	13
Atlantic Cheinco Corp. (p.237)	103
Atlantic Plastic Works Inc. (p.238)	106
B.K. Industries (p.222)	79
Bays English Muffin (p.205)	71
Beef Industry Council (p.119-121)	38
Bil Mar Foods, Inc. (p.94)	113
Bloomfield Industries, Inc. (p.158)	55
Blue Diamond Growers (p.132)	43
Bon Chef (p.236)	99
Bridgford Foods (p.15)	6
Cahners Exposition Group (p.115)	114
Calavo Foods, Inc. (p.39,41)	15,16
California Avocado Commission (p.130-131)	42
Cambro Mfg. Co. (p.96-97)	31,32
Campbell Food Service Co. (p.127-129)	41
Carnation Co., Foodservice (p.80-81)	25
Classified Advertising (p.239-246)	
Cleveland Range, Inc. (p.160-161)	56
Continental Coffee Products (p.IBC)	109
Dean Industries, Inc. (p.163)	57
Del Monte Foodservice (p.106-107,192-193)	
Dixie Crystals/Savannah Food & Industries, Inc. (p.184-185)	63
Dole Packaged Foods (p.227)	
Dormont Mfg. Co. (p.234)	88
Durkee Industrial Foods Group (p.117)	37
Durkee-French Foods, Inc. (p.106-107)	
Equal Low Calorie Sweetner (p.58-59)	19
Farmland Foods, Inc. (p.73,75,77,79)	24
Fishery Products, Inc. (p.28-29)	10
Follett Corporation (p.219)	76
Foster Farms (p.229)	85
Franklin Mint, Inc. (p.37)	14
Garland/A Welbilt Co. (p.164-165)	58
General Foods Corp., Boboli (p.144)	49
General Foods, Sanka (p.225)	82
General Mills, Foodservice Div. (p.188-189)	65
General Slicing (p.236)	96
Heinz Co., H. J. (p.16-17)	7
Hillshire Farms (P.195)	67
Hobart/American Gas (p.13)	5
Hospitality Mints (p.236)	98
Hunt-Wesson Foodservice Div. (p.7-10)	111,112
Iceland Seafood Corp. (p.62-65)	21,22
Jeron Technologies (p.220)	77
Karp & Sons, L. (p.138)	45
Kellogg Company (p.197)	
Kold-Draft (p.175)	60
Lamb-Weston (p.206-207)	72
Lancaster Colony Commercial Products (p.234)	90
Lanier Voice Products (p.224)	81
Libbey Glass Foodservice, Libbey Glass Div. (p.31)	11
Lincoln Foodservice Products, Inc. (p.177)	61
McCormick/Schilling (p.124-125)	34,35

continued on page 248

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 600*7-5080 Phone: 312/635-8800.

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA, Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

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HOT PROSPECTS: R&I'S 1990 GROWTH COMPANIES...46

American Food Chronicles: Steaks always high.................102

R&I Report: Absenteeism, anti-smoking, seafood checks...28

Food: Try the lighter side of Mexican menus.....................140

Today's fryers fit every cooking style...125

OCTOBER 2, 1989

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CONTENTS

VOL. 99 NO. 26

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 9

COMMENTS

The 1990 fearless forecast 15
Operations in this issue 15

VIEWPOINT

Go, glow and grow 18

R&I FORUM

Letters 24

R&I REPORT

Labor: Operators work to bring absenteeism under control 28
Benefits: Child-care solutions include subsidies, pretax deductions 34
Marketing: Seafood industry battles rough tides 40
Operations: Restaurateurs adjust to smoking laws 44

R&I EXCLUSIVE

Growth Companies: Hot prospects 46

MENUS

Menu Concepts: Chick-fil-A introduces new chicken sandwich and salad 95
Consumers' Choice: Flaky facts 98

TASTE

American Cuisine: Steak (another in *R&I*'s Great American Food Chronicles series) 102

EQUIPMENT

Preparation Methods: Techniques offer more than one way to fry a fish 125

FOOD

Ethnic Foods: The lighter side of Mexican menus 140

MARKETPLACE

Buyers Mart: Products 153

CLASSIFIED ADS

Buying, selling, changing jobs 169

ACTION EXPRESS

For more information about products 176

ADVERTISERS INDEX

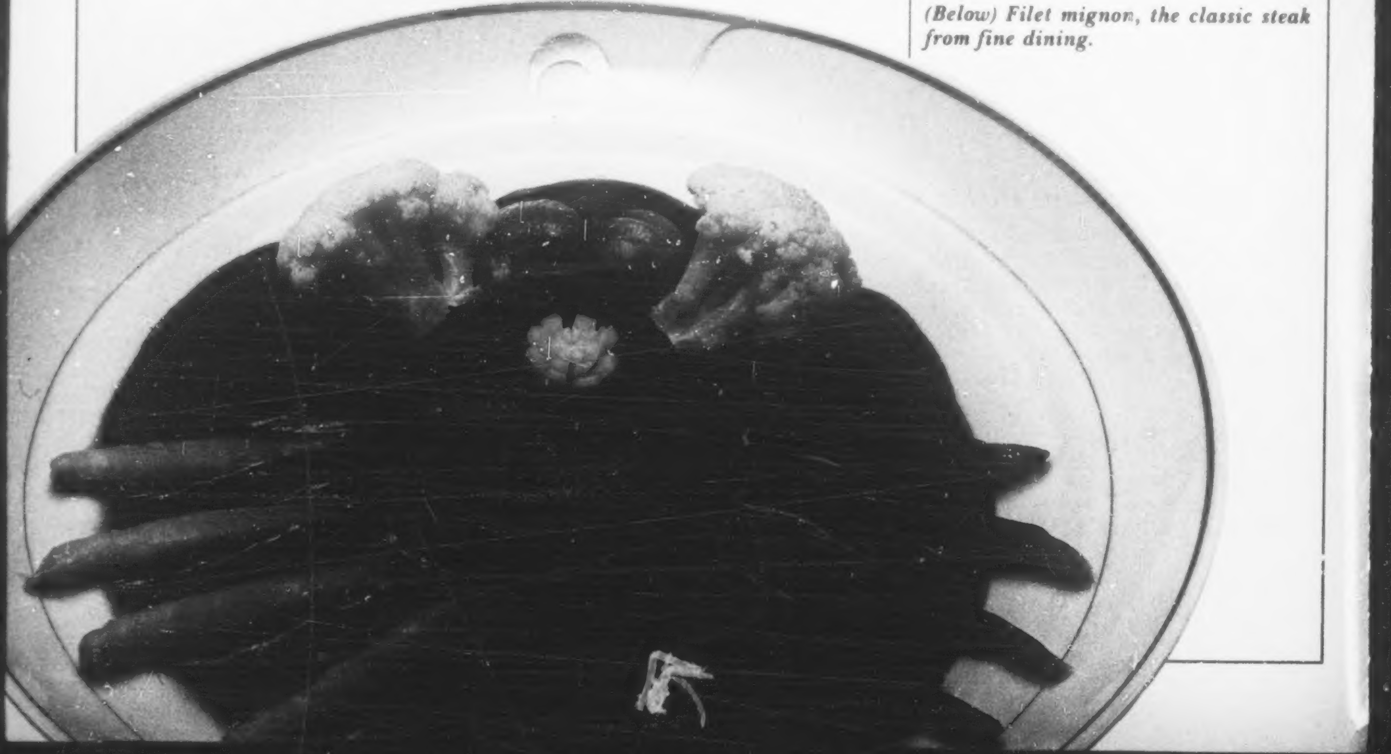
Where to find ads in this issue 176

READER SERVICE CARD

To send for more information 177

Foodservice Energy News, a service of the American Gas Association, follows page 130.

(Below) Filet mignon, the classic steak from fine dining.



R&I FORUM

TRIVIAL PURSUITS?

In response to the Viewpoint column "Trivialities and Pepper Grains," (July 24, p. 12), C. Peter Wagner, Ph.D., is not alone in his irritation with loaded pepper shakers that are virtually impossible to shake. I am in the restaurant business and like my friend Jim Nassikas, am constantly waging war over such "monumental trivialities."

Thank you for your stance on this critical issue. Now that I stand shoulder to shoulder with Dr. Wagner and Jim, my managers may now start believing that I am not just another nut.

Chuck Muer, C.A. Muer Corp.

LETTERS

On Sweat Equity

With one exception, the article by Jeff Weinstein, "Making Sweat Equity Pay Off," (Aug. 21, p. 20) is one of the best that I have read.

The exception lies in the statement, "Buyers are looking for conversions rather than new sites." Unfortunately, too many buyers still look for closed restaurants or sites to be converted because they don't want to pay for someone else's "goodwill." In fact, because of the cost to convert as well as the prospect of new (shorter term and higher priced) leases, it is often better to buy an existing restaurant.

I have been active in the foodservice field for many years and it seems that *R&I* and its predecessor have always been an important part of my professional life. Keep up the good work.

John Seidl, Business Sales Consultants Inc., White Plains, N.Y.

Safety Overlooked

The article "Safety Saves Bottom-Line Dollars in Food Operations" (Aug. 7, p. 26) was all well and good. As a former restaurant owner and employee, I am well aware of the need for "consciousness raising" for employees.

However, what about the employees (and I've seen too many) who simply don't seem to care? I worked for two years in an upscale restaurant where floors, despite being a safety-type tile, were treacherous to the extreme. The grease had been allowed to fill the tiles so the surfaces were slick, and when wet, like a sheet of ice. I have a permanent facial injury from that one. More examples are easy to recall.

I was there last week, and another employee had a fall. I had expressed concern to management many times, but they failed to make changes.

Gloria Morrison, Gillette, Wyo.

NACUFS Conference

I would like to express my sincere appreciation to you and your magazine for your generosity to the National Association of College and University Food Services by not only being a sustaining member of our organization, but also your generous sponsorship at our recent annual conference meeting.

It is your generous support of this organization that enables us to hold conferences with such excellent program content, as well as to stimulate our minds through social activities.

We are extremely pleased to have you as a member and are very thankful that you chose to be a sponsor.

Lloyd Smith, director of food services, Texas A&M University; president, NACUFS Region VII

'400' Corrections

In the *R&I* "400": Part I (July 10, 1989), the table headed "Top 20 Growth Companies: by Percentage of Sales Gain" (p. 158) contains an omission. The table's second line should read, "Everything Yogurt, 100% sales growth, 11.7% unit growth, Franchisor." Remaining statistics should drop down one line: For example, line six should read, "TCBY, 73.3% sales growth, 42.9% unit growth, franchisor."

Also in that issue, the home office of Unicare Health Facilities Purchasing Services was misidentified. The company is based in Milwaukee. The article also should have specified that Health Care & Retirement Corp. is a joint venture partner of UHF.

In the *R&I* "400": Part II (July 24, 1989), the photo on p. 19 shows Hardee's grilled chicken sandwich. The Mexican combination platter on p. 65 is from Casa Bonita; the quesadillas on p. 70 are from El Chico. The steamed vegetables on p. 128 come from Red Robin Restaurants. And the captions on pages 120 and 122 should be reversed: The first picture shows a dinner at Ruth's Chris Steak House; the second photo comes from Bobby Rubino's Place for Ribs.

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TAKE NOTE: In the Sept. 4 *R&I* Scene's lead story (p. 45), Paul Prudhomme's partner at K-Paul's Louisiana Kitchen, New York, should have been identified as Michael Weinstein, Ark Restaurant Corp., New York City. **R&I**

“The older generation would jump at the chance for some extra hours to make more money. The new generation, when asked about overtime, would say, ‘No. But I'm glad you brought it up because I want an extra day off.’

—Fast-food personnel executive”

LABOR

Operators Work to Bring Absenteeism Under Control

Some think discipline works best, while others rely on incentive programs.

When Foodservice Director Barbara Hayward joined the foodservice department at Lutheran General Hospital in suburban Chicago a little over a year ago, hourly workers were allowed 12 tardies and 12 absences a year before being documented as having an absenteeism problem.

"I immediately asked why the plan was so lenient and was told it was because of the 'type' of people who work in the department," says Hayward. "In my book, that is crazy because people are no different here than anywhere else."

Within a few months, Hayward changed the policy, cutting in half the number of tardies and absences allowed. After seven violations, disciplinary action begins. A three-day suspension is invoked after a third warning.

"Workers with good attendance records really appreciate the new policy because the others are no longer able to take advantage of a forgiving policy," says Hayward. "It has cleared up a big problem."

While a strict policy works for Hayward, one personnel executive for a leading fast-food chain believes that a degree of tolerance is just as important.

"The tough part is that while someone fails to show up Friday night, you still need them on Monday morning," he says. "You have to be more tolerant than you'd like."

He thinks human resource managers should try to meet the challenge by appealing to workers' sense of pride and professionalism.

"We need to be more of a coach and give workers more of a reason to be on time," he says. "Also, show some appreciation when employees are on time instead of taking such a simple task for granted."

Other personnel experts agree with the idea of providing positive reinforcement, including rewards for arriving on time.

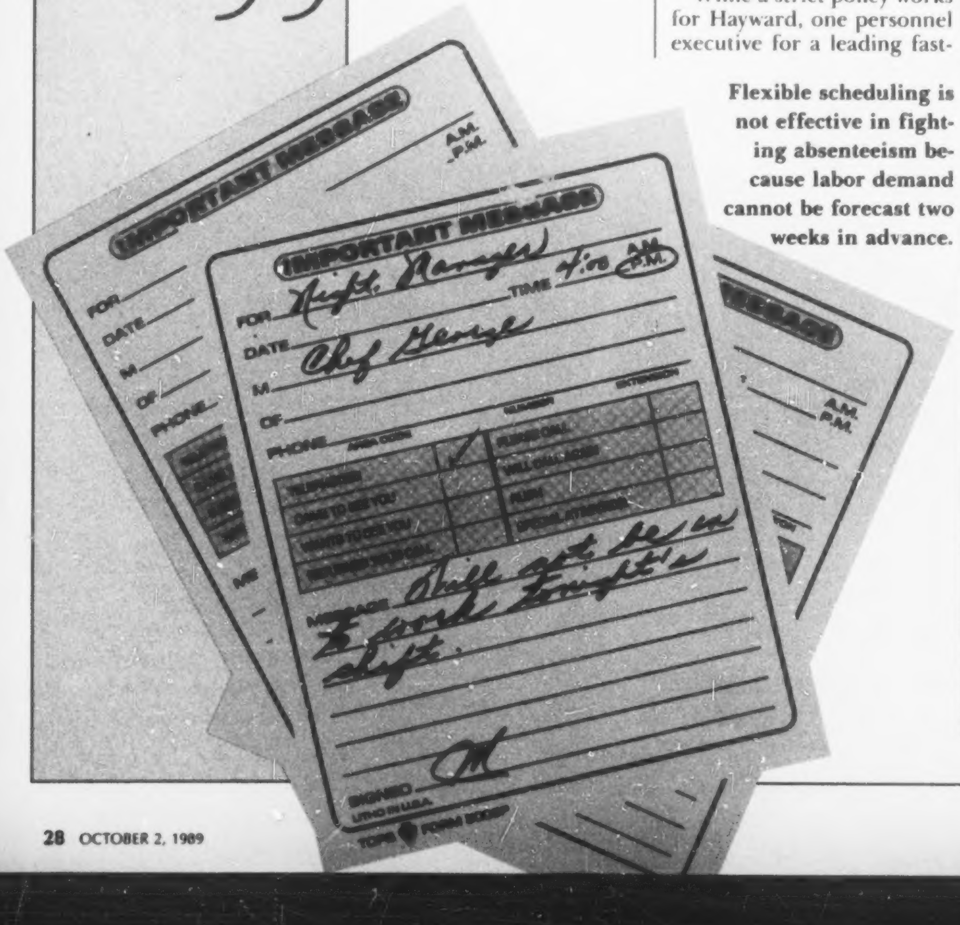
"When you start rewarding people for making a positive contribution, I like the statement it makes about the company and its culture," says Pat Farrell, a personnel director for Pizza Hut. "When we think about how we want to manage and improve our culture, that idea has a lot of appeal."

Farrell is considering implementing a system where employees can accumulate points based on attendance records. In turn, the points can be cashed in for prizes.

Doug Higdon, vice president of personnel for Jerrico Inc., is trying to sell a plan that would reward workers with one day's additional pay for every two sick days not used.

Another human resource executive envisions a reward

Flexible scheduling is not effective in fighting absenteeism because labor demand cannot be forecast two weeks in advance.



system that allows employees with good attendance records to choose the number of hours a week they want to work. If they want five or 10 extra hours a week, or an extra day off, scheduling would be adjusted to accommodate them.

What all these bonus plans have in common, however, is the fact that they are just that—plans. None of the executives interviewed have actually implemented a reward system.

"We haven't implemented a plan because it's an administrative burden," says Farrell. "With a lean staff, you ask yourself if this is your highest priority. And it is not."

Hayward, on the other hand, does not believe in incentives.

"The reward is having a good job and benefits in an atmosphere where employees are treated fairly and with respect," she says. "As employers, we shouldn't have to pat workers on the back for showing up to work on time."

While most proposed solutions apply to part-time and nonexempt employees, it must be noted that full-time staff members contribute to the problem as well, especially women who shoulder a majority of the family responsibilities.

The National Center for Health Statistics reports that women are absent one more day a year than men—5.5 days versus 4.3 days. The U.S. Department of Labor reports that women have a higher incidence of absenteeism during their childbearing years.

Logically, companies that provide child-care assistance are likely to cut into women's absenteeism rate. But the Bureau of Labor Statistics estimates that only 11% of employers offer direct child-care benefits.

Also, the form of child care a family uses affects absenteeism rates. A health maintenance organization did a study, based on the medical records of 1,400 children younger than 3½, that found the healthiest kids were those cared for in their own homes.

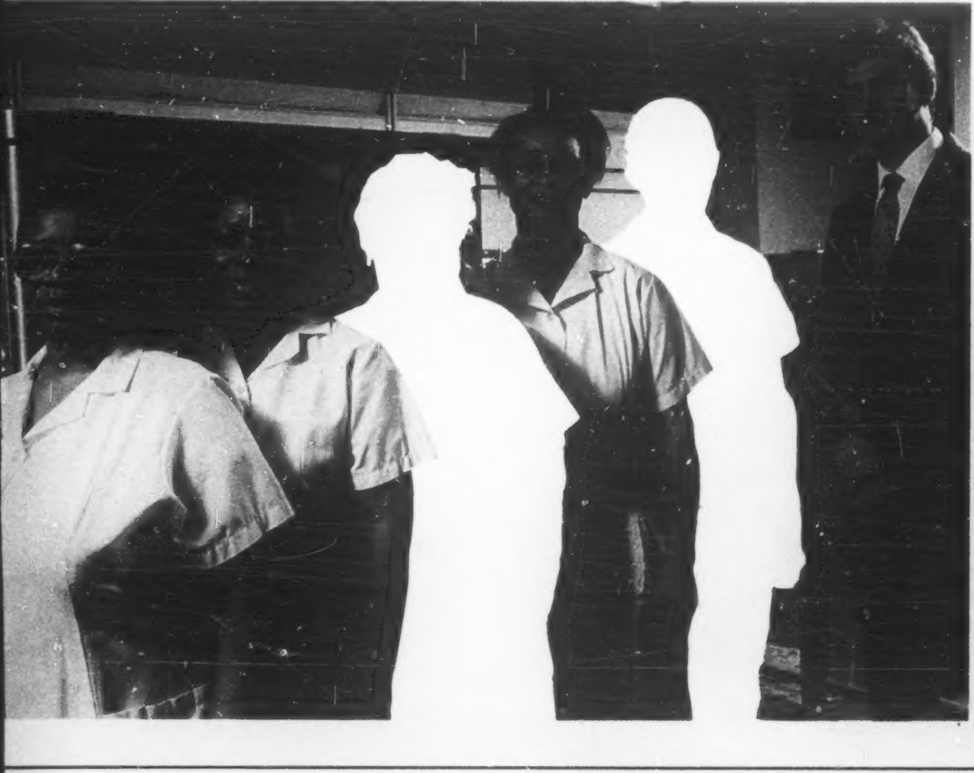
The study concludes that employers have a financial interest in how children of employees are cared for.

There is hope, however, for tackling absenteeism problems that create a 5% to 8% loss in worker hours.

"As we get more of a handle on the turnover problem and investigate the causes, tackling absenteeism could become the next wave of involvement," says Farrell. "We must realize that one of the causes of turnover is absenteeism."

—Jeff Weinstein

Wait staffs, not kitchen staffs, are more prone to absenteeism.



CURBING ABSENTEEISM

What measures, if any, is your company taking to control excessive absenteeism?

Disciplinary measures or penalties	**52%**
Incentives or rewards	**7**
Combination	**41**

If using incentives or rewards, which types are used at your company?

Cash	**39%**
Recognition awards	**39**
Bonus days	**14**
Prizes	**4**
Other	**4**

If your company uses incentives, have they been significant in reducing turnover?

Somewhat effective	**66%**
Very effective	**22**
Not at all effective	**12**

Source: Uniforce Temporary Services, "Absenteeism in the Workplace," 1986.

[redacted]

GROWTH COMPANIES

HOT PROSPECTS

R&I presents 30 companies under $60 million in sales that should outpace the competition in the coming year.

By Lisa Bertagnoli and Brian Quinton

Keep it under control. That's the growth philosophy for *R&I*'s 1989 crop of Growth Companies: Keep it controlled, consistent and, very often, company-owned. Not for years have so many companies on the list been so indifferent to franchising. Some refuse to do it; others let franchisees come to them and screen them carefully. Many of these success stories in the making would agree with Ruben Villavicencio, founder and president of Millie's Country Kitchen, who says, "I don't want to be the biggest chain; I want to be among the best managed."

Good-quality food and a variety of it will be key to their success. "We have to be eclectic in order to survive," says Mitchell Boyd, chairman of Shoney's Inc. and founder of Pargo's, whose menu choices range from Mucho Nachos to classic prime rib. Peter Scaccia, new owner of Mrs. Powell's Cinnamon Rolls, transformed the bakery into a soup, salad and sandwich haven. "The days of the single-item concept are numbered," he predicts.

ALLIE'S

1988 Sales: $12MM **1988 Units: 15**

Allie's is the new kid on the restaurant block, and if parent company Marriott has its way, it will become the big kid, too, in record time. Named for Alice Sheets Marriott, mother of J.W. Marriott Jr., Orlando-based Allie's expects to have 445 units in operation by the end of next year and projects as many as 3,000 open by 1995. Initial growth will come from converting the 227 properties acquired in recent months from Wag's, Howard Johnson, Jolly Roger and Bickford's Family Fare.

After testing 14 units in San Diego last year, Marriott unveiled the first Florida Allie's in Orlando last February and followed up with two more in the same area in June and July. Florida is slated for the chain's first major expansion drive because its demographics are so well-suited to family dining. By the end of this year, 70 Florida Allie's will be open or under construction.

The Allie's menu is built around a number of different centers. Customers can order comfort classics such as "Better-Than-Mom's Meat Loaf" for $5.99 or chicken-fried steak for $6.39. Or they can opt for the salad or food bars ($5.49 and $3.99). But Allie's also offers contemporary and ethnic dishes diners might not expect to find in a family-dining operation. These include a platter of four steak or chicken fajitas for $6.99 (also available as fajita salad for $5.25); steak *pizzaiola* with mush-

RESTAURANTS & INSTITUTIONS

1989 GROWTH COMPANIES

ALLIE'S

THE AMERICAN CAFE

BREADEAUX PISA

CAFFE CLASSICO

CASEY'S GENERAL STORE

CREATIVE RESTAURANT MANAGEMENT

DRUSILLA SEAFOOD CAFE

EATERIES INC.

ED DEBEVIC'S

EDWARDO'S NATURAL PIZZA

GRADY'S GOODTIMES

GREAT STEAK AND FRY

JOHNNY ROCKETS

MILLIE'S COUNTRY KITCHEN

MRS. POWELL'S CINNAMON ROLLS

OLGA'S KITCHEN

OTTOMANELLI'S

PARGO'S

PERKITS YOGURT

SILVER SPOON

SKYLINE CHILI

SOBIK'S SUBS

SOUP EXCHANGE

WARBURTON'S

WAWA

STAGING A COMEBACK

ARCTIC CIRCLE

BRIDGEMAN'S

NATHAN'S FAMOUS HOT DOGS

SCHLOTZSKY'S

TRADITIONS

GROWTH COMPANIES

Allie's sent Marriott on a real-estate buying spree: Recent acquisitions Wag's and Bickfords will be converted to the new concept.

rooms, marinara sauce and side of pasta for $5.95; and Baja Chicken (chicken breast in salsa with cheese, green onions, chilies and guacamole) for $6.99.

Breakfasts are available all day long, as is Allie's children's menu; and a special dinner menu is available to seniors after 11 a.m. Price points are $4 at breakfast and $3 to $7 at lunch and dinner.

THE AMERICAN CAFE

1988 Sales: $30MM **1988 Units: 12**

The American Cafe, which in June opened its 13th full-service restaurant in the Washington, D.C., area, plans to move outside that market next year via its first franchise offering.

The company, a division of W.R. Grace, plans to sign deals for at least two franchised restaurants on the East Coast next year (targeted cities include New York, Philadelphia, and Raleigh-Durham, N.C.) and an additional five in 1991, says President Greg Carey. Plans also call for 20 more company restaurants to open during the next five years: The company will reserve Baltimore and other markets close to Washington for those units.

The restaurants feature regional American food with a healthful slant—nothing is deep-fried, notes Carey. "We're different than your average fern bar," he says, adding that alcohol accounts for only 16% of sales. Most hot dishes are prepared using the *sous vide* method at a commissary in Laurel, Md., and sent to the restaurants daily. Under the name Grace Culinary Systems, the commissary also supplies food to area restaurants and hotels.

Best sellers at the restaurants include soups, such as cream of chicken, corn and crab, and seafood bisque, priced at $2.50 for a cup and $3.95 for a bowl. Popular entrees include sausage lasagna with basil-tomato sauce ($7.95) and lobster and scallop pie ($8.95). Checks average $8.50 at lunch and $10.25 at dinner. Takeout accounts for 22% of sales in the 11 restaurants that offer the service.

The franchise fee for The American Cafe is $45,000 for the first restaurant and $35,000 for each additional restaurant. Royalties are 4%, plus another .5% for advertising. Food costs run 33% to 34% of sales, and labor, 17% to 22%.

BREADEAUX PISA

1988 Sales: $30MM **1988 Units: 100**

During the last five years, Breadeaux Pisa has grown from a one-store operation in Creston, Iowa, to a 100-unit company with restaurants in Nebraska, Missouri, Kansas and Iowa. Founder Jim Larkin thinks he can continue that pace: His expansion plans call for 70 Breadeaux restaurant to open within the next 12 months.

Breadeaux features French-style pizza, which is built on a light, bready crust. Larkin, who also operates seven Casey's convenience stores, developed the recipe for that Des Moines, Iowa-based company. Casey's, which is currently rolling out its own pizza, rejected Larkin's recipe, a move prompted him to start another company.

The pizza is priced two-for-one: $5.95 buys two small cheese pizzas with one topping, and $12.95 buys two large pizzas. The Breadeaux special, topped with beef, pork and onion, and spicy Italian sausage are the most popular pizzas. The restaurants do not charge for double helpings of toppings, and Larkin says only 1% of customers order extra toppings. Breadeaux also offers salads, sandwiches and both top cola brands. Pizza accounts for 94% of sales.

About one-third of the restaurants have seats and all offer takeout, but none deliver pizza. "We have no interest in delivery and neither do our customers," Larkin says.

Larkin wants to expand Breadeaux nationally, but first will concentrate on

ARCEL AND I
WISH YOU
ON APPETIT"

(Above) Breadeaux Pisa, St. Joseph, Mo., sells two-for-one pizzas built on French bread crusts. Jim Larkin, a former funeral director and seven-unit Casey's General Store franchisee, opened the first Breadeaux in 1985. (R.) The American Cafe, W.R. Grace's 13-unit full-service chain, intends to grow through franchising. Takeout accounts for 22% of sales in the 11 restaurants that offer food to go.

the upper Midwest. The franchise fee is $15,000, plus 5% royalties and a 3% monthly contribution to a regional advertising fund.

CAFFE CLASSICO

1988 Sales: $5MM **1988 Units: 24**

Since the beginning of the year, Caffe Classico has grown by six more units and another 10 are in various stages of development, says John Heffernan, owner of the San Francisco-based company. By the end of 1989, he expects to have 50 units open, including three in Orlando, Fla., and six in New York City. In addition, Heffernan has signed a letter of intent with a potential Japanese franchisee.

Heffernan bought the original Caffe Classico, a 400-square-foot shop that still sells only gelato, from its owners 10 years ago. By 1987, he had sold 20 franchises, but stopped because of market pressures. "All the single-concept companies were having difficulty," he recalls. Heffernan re-formed the concept to include sandwiches, salads and baked goods. Today, just three Caffe Classicos sell only gelato.

Ice cream, however, still accounts for one-third of total sales at the new full-menu restaurants. The best-selling flavor, Heffernan says, is *coppa mista*, a swirl of dark chocolate, pistachio, almond and vanilla . All gelato is priced at $1.25 for a small serving, $2.25 for medium and $2.75 for large.

The franchise fee for a Caffe Classico store is $25,000. The company charges no royalty. The royalty, Heffernan says, comes from the markup the company places on the gelato, which is made at a central commissary in San Francisco and shipped to the franchisees.

CASEY'S GENERAL STORE

1988 Sales: $50MM **1988 Units: 654**

Casey's General Store has proven to have just about the strongest commitment to foodservice in the convenience store segment today. And that commitment will only get stronger in the future, says President Donald Lamberti.

Prepared foods now account for 22% of the Des Moines, Iowa-based chain's inside sales (sales excluding gasoline), or about $50 million systemwide. Casey's expects that proportion to escalate to 30% of inside sales within five years, partly from unit expansion—the company expects to continue its

continued on page 54

Gary Bonanno works hard to sell Drusilla: He likes to throw New Orleans street parties in targeted shopping centers.

continued from page 49

growth rate of 8 to 10% a year—and partly from introductions of its food-service programs into stores that still do not have on-site preparation.

Casey's is especially strong in four areas of prepared foods: pizza, doughnuts sandwiches and chicken. About 600 Casey's stores now make their own pies from scratch, including mixing the dough. Pizza accounts for about half the chain's total prepared food sales.

Casey's also began testing a frozen chicken product that is fried in-store. Reaction was favorable enough to allow a rollout into more than 200 of the stores by the middle of last summer, with plans to introduce chicken to the rest at a rate of about 15 stores a month. *(Note: Sales figure is for prepared food only)*

In 1979 John Heffernan bought Caffe Classico, then a single unit. He aims for 59 ice cream stores by the end of the year.

Annie's Santa Fe: One of CRM's growth concepts.

CREATIVE RESTAURANT MANAGEMENT

1988 Sales: $54MM **1988 Units: 21**

This spring, Shawnee Mission, Kan.-based Creative Restaurant Management opened its first franchised restaurant, a Fred P. Ott's Bar and Grill in Overland Park, Kan. The company operates Fred P. Ott's, Annie's Sante Fe, Fedora Cafe and H.I. Ribster's restaurants (20 restaurants altogether), plus Hogate's in Washington, D.C.

Avery Murray, vice president of franchising, says the company has "a couple of options" scoped out for this year and beyond. Best-case scenario: Six more restaurants—three Fred P. Ott's, two Ribster's and one Annie's—will be open by the end of the year.

Beyond that, CRM's plans depend on how many good franchisees the company can find. Territory to cover runs from Kansas City to St. Louis, plus Missouri's Lake of the Ozarks. Omaha, Neb., and Des Moines, Iowa, also are target markets. The franchise fee for each concept is $30,000, plus 5% royalties and .5% to 1% contribution to an advertising fund.

Creative Restaurant Management was formed after Restaurant Enterprises Group, Irvine, Calif., sold Kansas City, Mo.-based Gilbert/Robinson earlier this year. The biggest chunk of G/R, Houlihan's, went to The Riese Organization, New York. The smaller, more upscale concepts went to former G/R President Richard May. May set up shop as Creative Restaurant Management, and signed on G/R Founder Paul Robinson and Robinson's wife, Edna, as consultants.

DRUSILLA SEAFOOD CAFES

1988 Sales: $8MM **1988 Units: 9**

Gary Bonanno, president of Drusilla Seafood Cafes, has lofty plans for his 10-year-old Cajun concept: His business plan calls for 250 restaurants to be up and running by 1995. Because of good response to the chain, that goal is 50 stores greater than he originally planned: "We opened a restaurant in Kansas City [Mo.], and just got a ton of inquiries," he says. Short-term plans call for 16 restaurants (three company owned, 13 franchised) to be open by the end of this year, and another 50, five to 10 of which will be company-owned, to open each year after.

The first Drusilla was not a restaurant, but a small seafood market in Baton Rouge, La. Later, Bonanno and his wife, Edna, opened two full-service restaurants. By 1987, they had eight restaurants open.

Bonanno says the chain's biggest problem is convincing mall directors outside Louisiana to take a chance on the chain. In order to build a Drusilla Cafe in Little Rock, Ark., Bonanno threw a New Orleans street party in the mall, complete with food and a crawfish race.

The best selling item is the $5.95 seafood feast—crab fingers, catfish, shrimp, Cajun-spiced fries and hush puppies. Checks average $4.40 at lunch and dinner. Drusilla's franchise fee is $35,000, and start-up costs range from $123,000 to $190,000. The royalty fee is 5%, plus a 3% contribution to a national advertising budget.

continued on page 62

For information circle 100→

GROWTH COMPANIES

continued from page 54

Eager to grow, Eateries and others are looking for small chains to acquire, then convert to their full-service concepts.

EATERIES INC.

1988 Sales: $14MM **1988 Units: 18**

The most remarkable thing about Eateries Inc. is that its chain of Garfield's Restaurant & Pubs has managed to grow and thrive in Oil Patch states. Founder Vincent Orza says he has never closed a restaurant, and that newer Garfield's average $1.2 million in annual sales. Unit growth continues to be steady: Orza says two restaurants opened last year and two will open this year. The four scheduled to open in 1990 will be located in shopping malls.

Orza opened the first Garfield's in 1984, after three years at the now-defunct Kelly-Johnston Enterprises. Eateries now ranks 19th on *Inc.* magazine's list of the 100 fastest-growing small public companies in the country. Why so successful where others have failed? "We find other people's mistakes," says Orza, adding that almost all the Garfield's units are conversions. Still, the restaurants feel pressure: "Customers that used to come in once a week now come in once a month," Orza says.

Orza's plans for Eateries, however, extend beyond Garfield's. He is actively seeking a company to acquire. "It's easier to grow by acquisition than to open two restaurants a year," he says. (An agreement to buy a 36-unit Mazzio's Pizza franchisee fell through earlier this year.)

The Garfield's franchise fee ranges from $15,000 to $35,000, depending on the size of the market. Royalties are 3% up to $1.4 million in annual sales and 4% after that.

Drusilla Seafood shoots for 250 units by 1995.

The next four Garfield's will be located in regional shopping malls. Older units are undergoing facelifts.

ED DEBEVIC'S

1988 Sales: $18MM **1988 Units: 6**

One of the true restaurant success stories of the last five years, Chicago-based Ed Debevic's Short Order/Deluxe was an instant hit from the moment it opened in 1984. Restaurateur Richard Melman had tapped into two trends that were just then beginning to build—comfort food and diners.

Ed's quickly grew into a chain of six outlets: five domestic (Chicago, Los Angeles and Phoenix, Ariz.) and one subfranchisee in Japan. The geographic spread was the result of a financial one. As usual, Melman's Lettuce Entertain You ran Ed's as a joint venture. This time, Los Angeles-based Collins Foods International held a majority interest of 60%, and Big 4 Restaurants of Phoenix controlled 8%. Lettuce held the remainder. But shortly after the team-up, Collins decided to focus resources on its Sizzler chain and KFC franchises.

But the sale of the chain to Dennis Riese should re-energize its growth picture. Riese New York, a franchisee of TGI Friday's, Chili's, Chi-Chi's, Houlihan's and Beefsteak Charlie's, has announced intentions to open both company-owned and franchised units. According to Gerard Centioli, CEO and president of Ed Debevic's, the chain will open two or three company units a year for the next few years. "These will all be in urban locations," he says. "We're looking for high-density traffic at these units." The first new Ed's will open in New York City by the fall of 1990. Beyond that, Centioli says, operators in both Florida and Texas already have expressed interest in becoming franchisees.

EDWARDO'S NATURAL PIZZA

1988 Sales: $15MM **1988 Units: 18**

Edwardo's Natural Pizza, like Gino's, Giordano's and Pizzeria Uno, has been a Chicago institution for years. Under founder Ed Jacobson, the chain grew to 18 units and expanded to Milwaukee and Madison, Wis.

Last November, Jacobson sold the Hillside, Ill.-based company to two investors, Ivan and Jeffrey Himmel, and the new owners plan to expand the chain even further. According to Russell Lubliner, vice president of marketing, the company has targeted nine states for expansion: Illinois, Indiana, Ohio, Michigan, Iowa, Minnesota,

continued on page 66

GROWTH COMPANIES

Chili's hopes Grady's will become the concept of the 1990s, appealing to Chili's kind of patrons who want an upscale setting.

continued from page 62

Wisconsin, Kentucky and Missouri. Plans call for 15 more company restaurants to open each year until 1995.

Lubliner says tne company aims to dominate the upscale pizza niche. "We want to be considered fine-dining pizza," he explains. Edwardo's closest competitor, he opines, is Boston-based Uno Corp., which also is modeled after a Chicago pizzeria.

Edwardo's will carry the weight of expanding until it can find several multiunit franchisees. According to Lubliner, the chain has rejected 99% of applicants because they do not have enough background in restaurant operations. The Edwardo's franchise fee is $25,000, with 5% royalties and a mandatory 3% spending on local advertising.

Edwardo's plans to franchise in nine states.

GRADY'S GOODTIMES

1988 Sales: $18MM **1988 Units: 6**

Knoxville, Tenn.-based Grady's Goodtimes has been doing things carefully pretty much since its beginnings in 1982: limiting growth to a 300-mile radius of its home base, insisting on freshness and from-scratch cooking, targeting baby boomers and communicating a strong sense of mission to salaried and hourly employees.

If that sounds just like Chili's, it is—now. The Dallas-based casual dining chain bought Grady's last February, impressed with the fit of the two companies' menus and visions.

Chili's relaxed atmosphere and hearty menu was the right setting for dining out in the '80s; Brinker & Co. expect Grady's to become the concept of the '90s. "We hope it will appeal to the same customer we serve at Chili's, but in a more formal setting," says Jim Parrish, Chili's chief financial officer.

The menu is also a notch more upmarket than, though not completely unlike, the one at Chili's. Salads are still there, along with burgers, baked potatoes and baby back barbecued ribs. But unlike Chili's, Grady's also serves steaks, prime rib, sole marinara and other substantial fare.

"It's a more upscale experience than Chili's," Parrish says. "Both restaurants appeal to essentially the same customer, but in different moods."

In fact, Chili's is so confident the consumer will appreciate the difference between the two concepts that three of the four new Grady's to open in the next year will be within two blocks of a Chili's. One, in Plantation, Fla., will be right across the street. "The presence of each will help the other," Parrish says. "This is a destination concept." By mid-1991, the company expects to have 16 or 17 Grady's in operation, with much of the growth occurring in Florida and Texas.

Grady's units have a bit more footage than Chili's, more parking (because the customer takes longer at a meal) and about 240 seats to Chili's 200. The average ticket is $9 to $9.50, compared to Chili's $7.30 average.

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GREAT STEAK & FRY COMPANY

1988 Sales: $12.8MM **1988 Units: 35**

Nick Lanni, founder of Hamilton, Ohio-based Great Steak & Fry Company, says he is tired of keeping quiet about his seven-year-old business. He hired a public relations firm, stepped up franchising plans (only eight Great Steak restaurants are franchised) and makes it clear that he prefers steady growth over quick franchise sales. "We have never closed a store, and I intend to stay that course," says Lanni. "I am not trying to cover the world."

He *is* trying to cover Ohio: Great Steak's strongest markets are Cincinnati, Cleveland and Dayton. All the Ohio restaurants are located in shopping malls. The highest-volume restaurant is in Washington, D.C.'s Union Station. Last year it racked up about $1 million, compared to the systemwide average of $450,000. If expansion proceeds as planned, 58 Great Steak restaurants will be open by the end of this year, and an additional 15 stores will open each year after that.

Great Steak features Philadelphia cheesesteak sandwiches and hand-cut, skin-on french fries. Checks average $3.80. The franchise fee is $20,000, with a 5% royalty fee.

JOHNNY ROCKETS

1988 Sales: $7MM **1988 Units: 7**

Don't make the mistake of calling Johnny Rockets a diner. "We're a throwback to the old malt shops—the kind I grew up with in the '30s and '40s," says Ronn Teitelbaum, president of the Beverly Hills, Calif.-based chain. "When I think of diners, I think of bad meatloaf."

No meatloaf here. Just burgers in a purposely limited selection: either "The Original" or the "#12", the dif-

continued on page 70

Its owners say Johnny Rockets is no diner: Deluxe hamburgers and hand-cut fries, not meatloaf, headline the menu.

continued on page 74

ference being shredded or leaf lettuce, chopped or sliced onions, and a slice of Tillamook cheese and some special "red red sauce" on the latter. Both are made from hand-formed patties and cooked to order, and both are seasoned with a blend of 32 spices.

This kind of menu simplicity means that Johnny Rockets is able to sell itself on service as well as nostalgia. The decor might be white tile and black marble, and the tables might have their own jukeboxes, but Teitelbaum is more interested in consistency and attention to detail. With fries, ketchup arrives poured on a separate plate. When a diner orders a malt, the server will lift the top of the straw holder and offer a straw.

A Johnny Rockets license costs $65,000 for the first unit with a 5% royalty, for a total turnkey price of between $375,000 and $575,000. The stores vary widely in size. The chain will open its eighth unit this fall in a Tokyo suburb and Teitelbaum is investigating possibilities in Paris. "I don't know how many Rockets we'll have eventually," he says, "but they'll open at a pace we can feel comfortable with. If we have only 10 after five years, they'll be 10 perfect restaurants."

Nick Lanni hopes to open 15 Great Steaks a year.

MILLIE'S COUNTRY KITCHEN

1988 Sales: $19MM **1988 Units: 18**

Ruben Villavicencio started Millie's in 1982 after Alphy's, the coffee-shop chain he had been working for, was sold to Denny's. He bought back 16 Alphy's from Denny's and converted them into Millie's, a cut-above coffee shop. He operates Millie's and a three-restaurant Mexican chain called The Whole Enchilada under the banner of R&M Food Services.

He likens Millie's to Bob Evans—a strong breakfast daypart serving home-style entrees such as pot roast, chicken pot pie and meatloaf. Although most customers are older than 45, Millie's doesn't offer a senior-citizen discount. "We are an affordable place any time," Villavicencio says, explaining that full dinners are priced at $5.65. Checks at Millie's average $4.73; the stores gross an average of $1.15 million a year.

He plans to open two restaurants during the next 12 months, and stick to a modest growth pattern of two restaurants a year. All will be company-owned: Villavicencio refuses to franchise. "I don't want to be the biggest chain," he says. "I want to be among the best-managed."

His management tactics include a system that allows teams of restaurant managers to evaluate the other stores in the system once a year. Corporate officers attend the evaluations, but have no input into the final grade.

Millie's expansion will be confined to a 75-mile radius around Brea, Calif., Millie's headquarters. All but two Millie's restaurants are conversions; in California, building to suit is cost-prohibitive, Villavicencio explains.

Millie's expansion plans call for two company-owned stores a year, all of which will be conversions.

MRS. POWELL'S CINNAMON ROLLS

1988 Sales: $8MM **1988 Units: 48**

An executive at Seattle-based Cinnabon predicts that only three concepts—Cinnabon, T.J. Cinnamon's and Mrs. Powell's Cinnamon Rolls—are likely to survive an inevitable cinnamon-roll shake out.

Peter Scaccia, new owner of the Idaho Falls, Idaho-born chain, intends to make that prediction come true. He unveiled a new Mrs. Powell's prototype in Boston in June—it features soup and sandwiches as well as a larger seating area—and plans to open five franchised and one company store by the end of the year. About 15 units are planned for 1990, and Scaccia says he wants to open 20 restaurants a year.

Scaccia bought the three-year-old chain from Dick and Cynthia Powell in February and moved headquarters to Franklin, Mass. Scaccia, who owned a pharmaceutical testing company before he bought Mrs. Powell's, says he originally wanted to become a multi-

continued on page 66

Up-and-comers stick with popular menu concepts: Americanized ethnic dishes and old-fashioned entrees, desserts.

continued from page 70

concept franchisee, but found Mrs. Powell's instead.

The franchise fee for a Mrs. Powell's store is $25,000, plus 5% royalties and 2% mandatory advertising budget.

OLGA'S KITCHENS

1988 Sales: $41.7MM **1988 Units: 51**

Olga's Kitchens is not really anxious to draw franchisees. "We're primarily in the restaurant business, not franchise sales," says Michael Jordan, president of the Troy, Mich.-based sandwich chain. "We've been franchising for over four years now, and the only ones we've sold are to people who came to us." Twelve of the company's current stores are run by franchisees.

That won't change much. Though Olga's expects to open 10 to 12 units a year for the next two years, Jordan says the number of franchised stores—sold for a $25,000 license and 5% royalties—will only double. "We want to keep a company-to-franchise ratio of two to one," he says. "We're careful only to franchise in locations that work."

Within those states, Olga's is located mostly in shopping malls, and mostly as in-line units. The chain does offer the downsized Olga's Express for food courts, but Jordan says high court fees will restrict growth in this format. Mall locations will probably continue, however, since they virtually guarantee that Olga's is the only sandwich option available to customers.

Olga's menu positions the chain as more than fast food. Customers can order from 16 types of sandwiches (or "Olgas") made on rolls cooked to order. The dough for the rolls is manufactured, stamped and shipped frozen from a central commissary. It thaws for 48 hours in the store, proofs, and is held for baking. It can be finished in two minutes, once the customer has placed the order.

Mrs. Powell's new owners expanded the menu.

Ottomanelli's plans on 40 Italian cafes by 1990.

OTTOMANELLI'S CAFE

1988 Sales: $10.5MM **1988 Units: 14**

Ottomanelli's Cafe is a home-grown success story from the streets of New York. In 1900, the grandfather of the present owners, Nick and Joe Ottomanelli, opened a wholesale meat business in Manhattan that begat a butcher shop, which in turn gave birth to Ottomanelli's Steakhouse on the Upper East Side in 1982. When the restaurant's weekly pasta night began packing in customers, the brothers revamped their concept into a mid-priced cafe offering burgers, pasta and pizza.

They now franchise eight of their 16 current units, in a manner unique to a family business. For a $19,500 license fee, 3.5% in royalties and 1% for advertising, the Ottomanelli company will actually run a franchisee's store for the first month or so to get it up and running. Meanwhile, franchisees put in long days at a company store, where they learn the Ottomanelli systems.

The menu is "fast food for grown-ups," priced somewhere between midscale and fast food, says Nick Ottomanelli. Seven types of burgers comprise 60% of sales.

The chain is still centered in Manhattan, but it has begun moving into suburban free-standing and strip mall sites with great success. Unit volumes average about $500,000 in the smaller Manhattan stores but reach $1 million in the large 200-seat suburban units. Ottomanelli expects to open another nine stores by year's end and to have 40 operating by December 1990.

PARGO'S

1988 Sales: $15MM **1988 Units: 6**

Pargo's, the six-unit casual dinner-house chain owned by Shoney's Inc., will grow with the rest of Shoney's concepts under the Nashville-based company's aggressive franchising push. This year, the company will open one restaurant in Charlottesville, Va., and the first franchised Pargo's will open in Roanoke, Va., according to Shoney's Chairman Mitchell Boyd.

Two Pargo's will open in 1990, and Boyd says the chain will grow at that rate for the foreseeable future. "We will have to have a base of 15 or 16 restaurants before we consider opening three a year," he explains.

Boyd opened the first Pargo's in 1982, while he was a Shoney's Big Boy franchisee in Virginia. The restaurant was meant to fill a niche somewhere between fern bars and Big Boy, he explains. "I think we hit a niche that will grow quite well over the next 20 years," Boyd says.

The Western-looking restaurant, named after Boyd's twins, Par and Margo, appeals to diners in their late 30s and early 40s, Boyd says. The menu lists only 45 items, most of which are snacks and finger foods. Bestsellers include nachos and prime rib.

continued on page 78

Former sweets chains offer sandwiches and salads in an effort to boost checks and attract patrons who want a full meal.

continued from page 74

Checks per person average $13, including alcohol. Alcohol accounts for 30% of sales.

PERKITS YOGURT

1988 Sales: $12MM 1988 Units: 60

How far can a brother-and-sister team go with a simple frozen-yogurt shop in Cleveland, Tenn.? For Perk Evans and his sister Kit Henderson, the answer was onward to 59 more stores in the space of four years.

The key to this success is a particularly well-thought-out system of national franchising. After opening two more shops on their own in Chattanooga, Tenn., and Atlanta, Perk and Kit tired of driving from store to store and began developing a franchise plan. The first operators licensed were small, mostly mom-and-pop owners of single stores and mostly in the Southeast.

Pargo's expansion will be slow and steady—two stores a year, "maybe" three after 15 are up and running.

Perkits shoots for 135 stores by the end of '90.

But last year, the company divided the United States into markets of about 2 million customers each and began selling off area-development rights. They have found buyers for 20 of these territories so far; in each, a major developer agrees to sell at least 50 single-unit subfranchises. Perkits gets assured market penetration, and in return, the developers get a generous chunk of Perkits' front-end earnings, license fees and royalties. (Franchises cost $20,000 plus 4% royalties, of which 2% goes to the area developers.)

The chain has outlets in 15 states today, with another 75 stores set to open by the end of 1990, and is considering making a public stock offering.

SILVER SPOON

1988 Sales: $9MM 1988 Units: 6

Morrison Inc.'s Specialty Restaurant Division already has two solid growth winners in Ruby Tuesday and its L&N Seafood Grill. With Silver Spoon, the Mobile, Ala.-based conglomerate is trying to discover a formula that can take its foodservice far into the '90s: a casual, more adult-oriented restaurant chain with a bistro feel, driven almost entirely by the quality of its food.

And after five years of testing and fine-tuning, that is what Silver Spoon has become. When the concept first began in 1984, both the menu and the retail offerings were pitched to the very high end of the casual dining market, says Frank Dever, senior vice president of business development for the Specialty Restaurant Division. Both the retail and takeout sides of the business have since been drastically cut back, though all menu items can still be done for takeout on request.

The chain's commitment to food is apparent in its wide menu, which ranges from two kinds of quiche to six different grilled chicken entrees. Fresh grilled or blackened fish of the day is always available in two-portion sizes, at lunch ($7.99) and dinner ($11.95). Customers also can order classic American dishes like chicken pot pie ($5.95) and barbecued ribs ($11.95 for full slab). Average check is $8.65; about 60% of the unit's traffic comes during the lunch hours. Average unit volume at Silver Spoon is $1.4 million.

The chain now is in four Southeastern markets—Birmingham, Ala.; Knoxville, Tenn.; Jacksonville, Fla.; and three stores in the Atlanta metro area. A seventh will open in Memphis, Tenn., this fall, the first of what Dever says will be two or three openings in this fiscal year.

SKYLINE CHILI

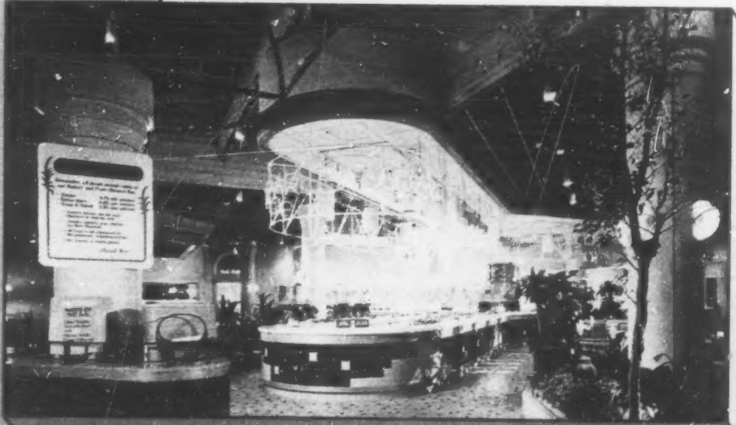
1988 Sales: $14.4MM 1988 Units: 82

Ohio-based Skyline knows who its customers are. "Around Cincinnati, it's anyone who walks, breathes or eats," says Lawrence Blundred, marketing vice president for the chili chain based in that city.

The problem has been building the same kind of customer recognition away from the Cincinnati skyline that gave the chain its name in 1949. Not only is the name unfamiliar; in most places, so is the chili. Skyline serves its

To accommodate the growing family market, growth chains offer eclectic menus and work to keep menu prices low.

Silver Spoon: One of Morrison's concepts.



Soup Exchange, now at 24 units, should grow to 55 soup-and-salad cafeterias by the end of 1990.

chili plain or with beans, but by far the most popular way is as a topping on either hot dogs or spaghetti. Customers order the chili "Three-Way" with cheese or "Four-Way" with cheese and onions. At $2.45, Five-Way Chili (over spaghetti with cheese, beans and onions) is the most expensive dish.

Quality control also has served to slow growth far from home. To keep the taste consistent, Skyline makes up all its chili in 45,000-pound weekly batches, then freezes it, cubes it and ships it off to the 30 company-owned stores and the franchisees.

"Keep it simple," Blundred says of the menu; but the service is full. Yet even with table service, the chain can still get its time-pressed diners served and out inside of 10 minutes if necessary.

After a period of over-optimistic growth into new markets, Skyline recently has been forced to rethink its growth strategy and actually has decided to regroup and close out a half-dozen underperforming units. This will pave the way for 10 new units and a deeper penetration of those markets where Skyline already is known—particularly Dayton and Columbus, Ohio, and Indianapolis.

SOBIK'S SUBS

1988 Sales: $6.5MM **1988 Units: 40**

Few restaurant markets have become as competitive as quickly as Orlando, Fla., and few fast-food categories as tight as sub sandwiches. But 20-year-old Sobik's is involved in both and doing very well in its market, thank you. The Longwood, Fla.-based chain is giving major players such as Subway and Blimpie a run for their customers' money.

Sobik's has six company stores and 33 franchised units in the seven-county area of central Florida surrounding Orlando. Average unit volume for the urban stores is $200,000. And George Salmons, Sobik's chief operating officer, expects to continue that success with a projected growth of 15 to 20 more stores by year's end and a target of 65 units by July 1990.

Site selection has created an interesting competitive situation between the two chains. Sobik's locations tend to be urban, while Subway has opted for real estate in the Orlando suburbs. "As a result we catch more of the lunch business while they're dead," Salmons says. "But at 10 p.m., they're packed and we're empty."

Though Sobik's stores have 30 to 50 seats, takeout accounts for 60% of the business. Four units have drive-thru windows. Three Orlando stores do walking delivery to high-rises, but Salmons says this undercuts the main virtue of the counter-prep system: the customer's ability to direct the making of his own sandwich.

Like most sub chains, Sobik's franchise costs are low: $15,000 for a license, royalties and ad fees of 4% apiece, and a turnkey cost of $50,000 to $80,000.

SOUP EXCHANGE

1988 Sales: $27MM **1988 Units: 24**

Don Boensel first met the founders of Soup Exchange as a customer who came in off the street to their original store in San Diego. That was in 1981, when Founders Scott King and John Turnbull were selling mainly soup and baked goods.

By 1983, Boensel had convinced them to move to a more visible site and open a larger restaurant that could accommodate lots of prep and serving areas without sacrificing seating. The new store wound up doing three times the previous one's volume.

The chain's all-you-can-eat buffets are built around a salad bar of more than 60 items and six homemade soups from a menu of 40. Soup or salad is $4.95; soup *and* salad costs $1 more. The average lunch check comes to $5.75; at dinner, $6.25.

Soup Exchange plans to reach 30

Expansion rates remain reasonable: Most companies plan unit growth of no more than 20% during the next 12 months.

Warburton's British bakery makes good stateside.

Foodservice racks up 30% of sales at Wawa.

units by the end of '89 and 55 a year later, keeping 20% to 25% of its stores company-owned, especially in key markets such as San Francisco and Texas, where expansion prospects are good and a franchise support system will be needed. The company sells only multiple franchises, charging $40,000 per unit (up front for the first unit, upon execution of contract for the later ones.) Royalties start at 5% of sales and 1% for advertising development plus 3% for local ads.

WARBURTON'S

1988 Sales: $12MM **1988 Units: 21**

Talk about fast-food tradition: Warburton's has more than a century's worth. Thomas Warburton opened his bakery in England 113 years ago, and that one store grew in time into a 120-unit British baking conglomerate. One hundred years later, a descendant came across the pond to study business at Harvard and wound up opening a branch store in Boston. That store has now grown into 21 units, all company-owned, in Boston, Pittsburgh and Chicago, where the company now is based.

The stores sell a wide menu of muffins, scones, cookies and sandwiches, and aim for a high volume of repeat business by balancing food quality and menu variety. Warburton's can make 20 different types of muffins, for example; but each store bakes only eight or nine types on a given day to give the back of the house time to do them right and to sell out the day's supply. But the menu changes daily, as available flavors are rotated to keep regular morning customers interested.

At lunch, Warburton's offers what it calls a "Savoury" —a puff pastry filled with meat and potato, ham and cheese, chicken and vegetables, or spinach and cheese. These sell for $1.50 to $1.90 and are the most popular menu item with both takeout and eat-in lunchtime customers. Warburton's also emphasizes its six freshly made sandwiches.

All baking is done on the premises, but to ensure consistent quality, doughs and batters are mixed in the company's Chicago supply facility and shipped frozen. This frees up store footage for display counters and seating. When the original Boston store found its lunch business limited by only 12 seats, Warburton's made the decision to put more tables into its units. The newest store in Chicago's Loop can seat 140, and future units—the company hopes to build four or five more by the end of '89—might go as high as 250 seats. The average breakfast check is $1.25; lunchtime tickets are around $4.20 per customer. Average unit volume is $585,000.

WAWA

1988 Sales: $60MM **1988 Units: 430**

Wawa Inc. is a rarity. Instead of building sales with photocopies, fax machines, money orders or even gas—only eight of its units have pumps—the convenience store chain devotes its major marketing efforts to foodservice: fresh produce, an extensive deli case used mostly for making sandwiches, and from-scratch soups, stews, chilis and salads.

The efforts are paying off. Wawa now is opening stores (all company-owned) at the rate of one a week and expects to keep up that pace for the near future. Average unit volumes for all products have reached $1.1 million; deli and foodservice, including coffee, tea and postmix drinks, account for about 27% of that figure. The figure given for 1988 sales (above) is an estimate excluding beverages, retail meats and produce. Including those items, Wawa sold $120 million in prepared food in 1988, and anticipates '89 sales of $156 million.

Hoagies are the chain's sandwich staple, but counter staff will make sandwiches with anything in the deli case. That works out to about a thousand variations, according to Marketing Director Lee Smith. The refrigerated case holds packaged salads made on-site, melon halves and the "Crunch Bunch," containers of cut vegetables with ranch dressing for dipping.

To fight the stereotype of c-store food, the chain is meticulous about service standards. Stores throw away coffee that sits in the brewer for more than 20 minutes, and staff are instructed to throw away the grounds as soon as brewing has stopped, to keep them from dripping acid into the pot.

The chain soon will begin testing its own line of fresh-chilled dinner entrees. Items such as lasagna Bolognese and chicken Mornay will provide customers with "higher quality than fast food and more convenience than supermarkets," Smith says. *(Note: Sales figure is for prepared foods only)*

continued on page 86

GROWTH COMPANIES

continued from page 82

Equipped with new management, new menus and fresh looks, established companies take another shot at expansion.

ARCTIC CIRCLE

1988 Sales: $39MM **1988 Units: 100**

Arctic Circle President Gary Roberts says he and the chain's new owners have every intention of revitalizing the 39-year-old burger chain. He and three other managers purchased the Midvale, Utah-based company via leveraged buyout from Quaker State in June 1988; the team is ahead of the payment schedule on the note, Roberts says.

Five Arctic Circle are under construction, one in Idaho Falls, Idaho; two in Ogden, Utah; and two in Salt Lake City. Roberts expects eight franchised stores to open next year.

The new stores have a new look featuring a 27-foot beamed ceiling, giant neon logo, fewer seats and a drive-thru window. The menu has been dressed up, too, with the addition of a grilled chicken sandwich, turkey and taco pita sandwiches and a chicken fajita salad. Checks average $3.10; average unit volume is $400,000.

An Arctic Circle franchise fee is $20,000, with 3% royalties and 4% contribution to an advertising budget. Start-up costs run from $200,000 to $300,000.

Schlotzsky's aims at Texas and the Midwest.

BRIDGEMAN'S

1988 Sales: $15MM **1988 Units: 24**

St. Louis Park, Minn.-based Bridgeman's began in 1883 as a dairy company and evolved into an ice cream parlor by 1936, growing to six units in the first year. When Land O' Lakes bought the chain 30 years later, it had grown to encompass 10 full-service restaurants. The new owners took it further still, expanding to 53 units by the early '80s. A high proportion of these, however, proved to be serious underperformers. The chain was sold again in 1983, and filed for Chapter 11 protection in 1986.

Now, Bridgeman's has been out of bankruptcy protection for two years and is ready to grow again—but cautiously, in a new slimmed-down version. Weak franchises have been sold, along with all but seven company-owned stores in the Twin Cities home territory, says Chief Executive Doug Coy. This cutback has left Bridgeman's with 24 stores it feels are solidly established in their markets. The company expects to open seven new stores by the end of 1989 and anticipates that future growth will be 95% franchised.

Bridgeman's expansion is taking place on several tracks. The standard full-service restaurants still will serve breakfast, burgers, sandwiches and home-style foods along with the trademark ice cream and yogurt specialties. A new Dip Shoppe format will offer a limited menu of ice cream, yogurt and snacks from a location with limited seating.

Bridgeman's intends to capitalize on its nostaglia value in its long-time Minnesota and Wisconsin markets, where most of the expansion will occur for the next year or two. But Coy says the real challenge will be tailoring a plan to market Bridgeman's in new territories.

Bridgeman's "[illegible]" campaign capitalizes on its 106-year history in Minnesota and Wisconsin.

NATHAN'S FAMOUS HOT DOGS

1988 Sales: $35MM **1988 Units: 39**

Look for Nathan's Famous Hot Dogs to shift national expansion into overdrive with a planned 35 new units by the summer of 1990. Last March, Benson/Landsberg Associates bought out the majority interest of Richard and Steven Buckley in Westbury, N.Y.-based Nathan's, largely on the strength of the 73-year-old company's potential to grab the No. 1 spot in hot dogs—a menu segment without a clear-cut national market leader.

The Buckleys bought the chain from the founding Handwerker family in 1987 and designed a national franchise system that already was producing strong results when they sold out: The Riese Organization has agreed to develop 12 new stores in Manhattan, and Marriott Corp. will put downsized Nathan's units into its Travel Plazas.

continued on page 92

SEVEN FROM '79

Here's how several companies featured in 1979 have fared during the past 10 years:

CREATIVE GOURMETS INC.
Charlestown, Mass.
1978 Sales: $4MM
1988 Sales: $35MM

GRAND AMERICAN FARE
Santa Monica, Calif.
1978 Sales: $12.5MM
1988 Sales: $35MM

LEGAL SEA FOODS INC.
Newton, Mass.
1978 Sales: $8MM
1988 Sales: $52MM

THE LEVY ORGANIZATION
Chicago
1978 Sales: $7MM
1988 Sales: $62.5MM

OLD SPAGHETTI FACTORY
Portland, Ore.
1978 Sales: $15MM
1988 Sales: $42.6MM

TONY ROMA'S
Dallas
1978 Sales: $7.5MM
1988 Sales: $171.2MM*

VIE DE FRANCE
McLean, Va.
1978 Sales: $2.5MM
1988 Sales: $45MM**

* R&I estimate; ** company estimate

Nathan's franchise push is working: Riese will open 12 units, Marriott will make room for hot dog stands in Travel Plazas.

continued from page 86

Under new Chief Operating Officer Stuart Benson, the chain will widen its growth efforts to take in the entire East Coast, concentrating on areas with large numbers of transplanted New Yorkers to capitalize on Nathan's high brand recognition. Nathan's expects to add both franchised units and company stores over the next year, including the first two or three outlets in a new five-unit franchise deal covering Las Vegas.

The flexibility of Nathan's concept will drive this growth, says Carl Paley, franchise development vice president. A set of seven new store prototypes will adapt to the needs of different locations, from a 650-square-foot food court outlet to a free-standing building with drive-thru window suited to suburban locations.

SCHLOTZSKY'S

1988 Sales: $52MM **1988 Units: 238**

Schlotzsky's, the 18-year-old, Austin, Texas-based sandwich chain, has signed one big franchise deal—30 stores will open during the next five years in Michigan—and a handful of five-store agreements that cover Kansas City, Mo.; Greenville, S.C.; Naples, Fla.; and Reno, Nev. Expansion plans call for 20 units, a mix of franchised and company-owned stores, to open by December. The franchise fee is $15,000 for the first store and $10,000 for the second, plus 4% royalties and 1% contribution to an ad budget.

Schlotzsky's biggest expansion efforts will be in the Southeast, Texas and the Midwest. Houston is reserved for company stores, with 15 scheduled to open by the end of this year. The company is investigating non-traditional sites, such as colleges, medical centers and airports, according to Kelly Arnold, director of franchising.

Schlotzsky's also hopes to make a few menu changes. Frozen yogurt has been in test in San Antonio, Texas, for a year, and accounts for about 7% of sales. The chain is devising a baked-goods takeout program to make further use of the ovens in which Schlotzsky's signature round bread is baked. In addition, the chain hopes to lower food costs a point or two to 23.5% of sales. Checks at Schlotzsky's average $2.10 and unit volumes, $280,000 a year.

TRADITIONS

1988 Sales: N/A **1988 Units: 14**

Traditions, Dayton, Ohio, is owned by Jerry Office, who spent 18 years at the helm of Ponderosa. A year after leaving Ponderosa in 1987, Office bought Dayton, Ohio-based Empire, a 20-year-old family-dining chain. He polled customers to find a new name, made a few adjustments in the menu and decor, and thus created Traditions. These days, Jerry Office Inc. comprises Traditions, a single concept called Grandma's, and a barbecue restaurant, Hickory Hut.

Traditions is the company's growth vehicle. Four more are expected to open by the end of this year, and another 10 are slated to open in 1990. All will be company owned, although the company plans to franchise sometime in the future, according to Jane Gerbus, director of marketing. Long-term plans call for 75 units, nearly all of which will be in Ohio, to open by 1995. Traditions targets small towns without a good choice of three-meal restaurants, Gerbus says.

The restaurants (formally called Traditions: A Family Restaurant), feature home-style food. Dinner is the chain's most lucrative daypart. Bestsellers include chicken stir-fry ($5.75); beef tips ($5.29) and hand-battered onion rings ($1.39). (The company would not release check averages, unit volumes or 1988 sales.) Traditions offers a weekend breakfast buffet and a soup-and-salad bar, as well as catering and banquet services. Six stores have takeout bakeries, which do "very well," according to Gerbus. ***—R&I***

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; Charles E. Moodhe, Senior Vice President/General Manager; Peter T. Orsi, Senior Vice President; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publishing Director; Jane Young Wallace, Vice President/Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Corinne Zollars, Assistant to Sales/Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Candice J. Hammett, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: (312) 635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: (203) 328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: (212) 463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: (216) 696-1800. **Southeast:** Thomas McElhinny, Regional Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: (404) 955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone (415) 981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: (714) 851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: (713) 497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: (214) 980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: (03) 366-8301.

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ADVERTISING INDEX

For more information on the products advertised and featured in this issue, circle the number indicated on the Reader Service Card.

Advertiser	Inquiry No.
AMCO Corporation (p.93)	30
Allen Canning (p.116-117)	41
American Gas Association (p.131-138)	190
American Gas/Keating (p.130)	48
American Permanent Ware, Inc. (p.151)	55
Atlantic Cheinco Corp. (p.167)	73
Avis (p.61)	18
Bakers Pride (p.165)	65
Basic American Foods (p.145,147)	52,53
Bell Atlantic Corp. (p.92-H-92-I)	83
Bellsouth Services (p.152)	56
Bil Mar Foods, Inc. (p.8)	2
Bridgford Foods (p.41)	13
Buffalo China, Inc. (p.67)	21
Bunn-O-Matic Corp. (p.157)	58
Calavo Foods, Inc. (p.36-37)	11
Calavo Growers of California (p.38-39)	12
California Avocado Commission (p.142-143)	51
Cambro Mfg. Co. (p.96-97)	31
Campbell Food Service Co. (p.88-89)	29
Capital City Prod. (p.92-C-92-E)	81
Carnation Co., Foodservice (p.148-149)	54
Chicago Mercantile Exchange (p.107)	35
Classified Advertising (p.169-174)	
Coldwater Seafood Corp.(p.112-113)	23
Custom Foods (p.76-77)	25
Dean Industries, Inc. (p.127)	47
Del Monte Tropical Fruit Co. (p.128-129)	
Dole Packaged Foods (p.94)	
Dormont Mfg. Co. (p.166)	66
Equal Low Calorie Sweetner (p.42-43,45)	14,15
Foster Farms (p.92-K)	84
Frymaster Corp., Div. of Welbilt Corp. (p.63)	19
General Foods Corp., Beverages (p.119)	42
General Foods Corp., Boboli (p.7)	1
General Foods, Sanka (p.115)	40
General Mills, Foodservice Div. (p.104-105)	34
General Slicing (p.167)	71
Hatco Corp. (p.124)	46
Heinz Co., H. J. (p.20-23)	5,6
Hobart/American Gas (p.IBC)	78
Hormel & Co., George A. (p.108-109)	36
Hunt-Wesson Foodservice Div. (p.11-14)	85
Iceland Seafood Corp. (p.50-53)	16,17
International Cold Storage Co., Inc. (p.164)	63
Jennie-O-Foods, Inc. (p.163)	62
Jeron Technologies (p.168)	77
Karp & Sons, L. (p.111)	37
Keating of Chicago, Inc., American Gas (p.130)	48
Kikkoman Int'l. Inc., (p.100-101)	33
Lamb-Weston (p.64-65)	20
Lancaster Colony Commercial Products (p.168)	74
Lincoln Foodservice Products, Inc. (p.161)	60
McCormick/Schilling (p.72-73)	38,39
McGlaughlin Oil (p.168)	76
Marzetti Company, T. (p.92-G)	82
Minute Maid Foodservice Group, a division of Coca Cola Foods (p.90-91)	
Nabisco Brands Inc., Foodservice Div. (p.16-17)	3
National Federation of Coffee Growers of Columbia (p.BC)	79
National Honey Board (p.162)	61
Nestle Company, Inc. Coffee (p.79,81,83)	26
Ocean Garden Products, Inc. (p.19)	4

continued on page 175

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

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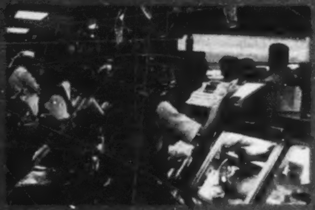
RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.

C1850-3

R&I'S 1989 INSTITUTIONAL GIANTS RANKING...46



Supermarkets swing into foodservice...80

Foods: A guide to authentic Southern Italian cooking...148

Santa Fe chefs expand Southwest cooking frontiers....106

New this issue! R&I's exclusive market data digest.......28

OCTOBER 16, 1989

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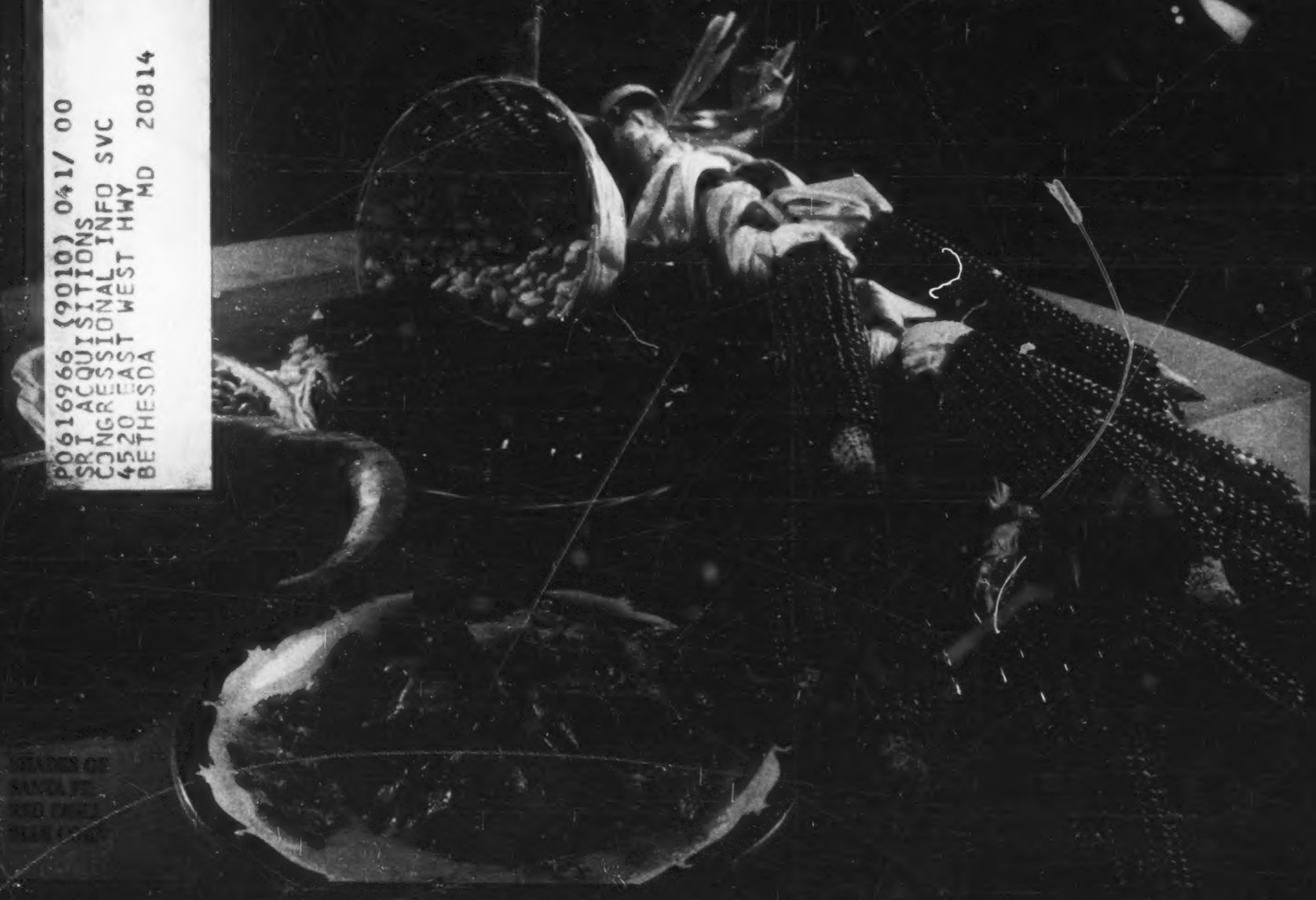

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CONTENTS

VOL. 99 NO. 27

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine

BRIEFINGS
A summary for busy readers 5

COMMENTS
The fight for the share of the stomach 11
Operations in this issue 11

VIEWPOINT
R&I reads trends and tea leaves 14

R&I FORUM
Reader's Opinion: Keys to great service 18

R&I REPORT
Labor: English language programs worth the investment 22
Job Market: Which recruitment methods work best? 26

MARKET TRENDS
Data Digest: Eating habits improve, but adults still skip meals 28

R&I SCENE
People, Places & Promos 39
Personal Glimpse: Franco and Margaret Romagnoli 42

R&I EXCLUSIVE
Institutions: Giants step forward 46
- Contractors 48
- Health Care 54
- Schools 62
- Colleges & Universities 66
- Military 70

FOCUS
Expansion Strategies: Dining à la Cart 80

TASTE
Regional Cuisine: Sante Fe 106
Recipes: New Mexican Sauces 124

FOOD
Ethnic Cuisine: Peasant cooking in the best sense . . . The cooking of Southern Italy 148

MARKETPLACE
Menu Merchandising: Savory, healthful chicken dishes entice lunch patrons 170
Chicken Products 174
Buyers Mart: Product information 179
For the Asking: Products for Southern Italian menus 199

CLASSIFIED ADS
Buying, selling, changing jobs 202

ACTION EXPRESS
For more information about products 210

ADVERTISERS INDEX
Where to find ads in this issue 210

READER SERVICE CARD
To send for more information 211

(L.) New Mexican-style beef with oysters from Coyote Cafe, Santa Fe.

■ LABOR

English Language Programs Are Worth the Investment

With management's support, classes can increase operating efficiencies.

People with limited English language skills represent a growing percentage of hospitality industry job applicants. Their difficulties in communicating effectively with co-workers and guests can create both production and image problems.

However, a handful of industry trendsetters are attacking the problem by developing basic, job-related English language courses taught on site to enhance employees' cultural comfort level, upgrade performance, improve guest relations and add to the quality of their own lives.

While creating a program might sound complicated, those who have tried report few problems once they learn where to start.

"Contact state and local departments of education and find out what type of funding and educational assistance is available for adult education," says Claudia Riedl, education coordinator for the Boca Raton (Fla.) Resort and Club.

At the Boca Raton Club and The Breakers Hotel in Palm Beach, Fla., teachers for the basic English courses are provided by the local school district at no cost because the operations meet minimum state requirements for class attendance.

At Harrah's Marina Hotel/Casino in Atlantic City, N.J., training supervisor Mary Marie Bittner contracted Literacy Volunteers of America (headquartered in Syracuse, N.Y.) to train 15 volunteer employees as tutors. At a cost of approximately $50 a trainee, LVA provided a 15-hour course to teach the volunteers the skills necessary to tutor those at or below elementary reading levels.

In January, Dallas-based Tony Roma's hired a certified "English as a Second Language" (ESL) instructor for its $7 million a year operation just outside Universal Studios in Los Angeles. The basic English course, taught at the restaurant, runs for 10 weeks, Monday through Friday from 8 a.m. to 9 a.m. At $50 an hour for the free-lance instructor, the semester cost absorbed by the unit is $2,500.

Although the Boca Raton resort has had an ESL program since 1984, Riedl was hired to design the curriculum to be more job specific.

"The most effective course of action is at the immediate site of employment," says Riedl. "Employees at low academic levels have a hard time transferring classroom principles to the job site. So I travel to a dishroom or cook's station every day to reinforce that educational atmosphere."

Posters, newsletters and inserts for pay envelopes are popular methods to publicize training programs.

Recruiting is tougher when applicants lack basic language skills.

Before starting the optional 10-week class for the more than 50 Hispanic employees at the Tony Roma unit in Los Angeles, the instructor interviewed front- and back-of-the-house managers to uncover common problems and develop a list of terms to study in class.

To reinforce the learning experience during the summer when school is out, the instructor found a small paperback book, *See It and Say It In English* (Houghton Mifflin). Tony Roma's paid the teacher to put together an audio tape to go along with the book so students would have correct pronunciations to follow.

Employees paid $4 for the book but were given the tape free of charge. A number of the employees were so happy with the results that they purchased extra copies for family members. The book will be made available to the chain's general managers around the country to distribute to any new Spanish-speaking employees as part of their orientation.

The fruits of efforts made at Harrah's, the Boca Raton resort and Tony Roma's were realized almost as soon as the classes started. All three operations report improved productivity and employee morale.

"We are getting better at kitchen procedures and sanitation because the Hispanic employees now understand why they have been asked to do a certain task," says Linda Bryant, responsible for the Tony Roma's program. "Too often in this industry, employees are just told to do something without an explanation because it is too difficult to communicate."

Since many businesses surrounding the Tony Roma's unit are heavily unionized, the English classes also have helped build a solid working relationship with employees, according to Bryant.

Not every hospitality operation has been successful with its English training program, however.

"Our workers tend to have more than one job and would rather spend their time earning money than learning English," says a human resources executive for a large fast-food chain. "We ran a program for awhile, but workers received no support in their day-to-day environment to practice those skills. Managers would continue to speak only Spanish to their subordinates, providing little incentive for them to improve their English skills."

The executive adds, "We also failed to get a tough commitment from top management. Even though they say it is important, so far it has been nothing but lip service."

Other training and development directors agree that budget-conscious executives have been rather "ho-hum" in their support of language programs.

"The hospitality industry always looks at immediate production value and considers workers as short-term employees," says Ken Yurk, training specialist for the American Club Hotel in Kohler, Wis. "They don't want to make an investment in someone who will be gone in short order. That is a mistake.

"We need to look at every employee and say, 'What can we do to make sure they will stay with us for 10 years?' " adds Yurk. "We also need to look at employees not just for the job for which they were hired but what potential they have for the future."

Another problem with the voluntary programs has been getting employees to overcome embarrassment about their deficiencies.

Yurk, who stresses employee involvement in basic math, and writing programs as well as in English classes, has overcome the embarrassment factor by training an entire department rather than singling out an individual who needs help.

"It provides a comfort level for people who need to learn a certain skill and is more cost effective because we work on a group instead of individual basis," says Yurk.

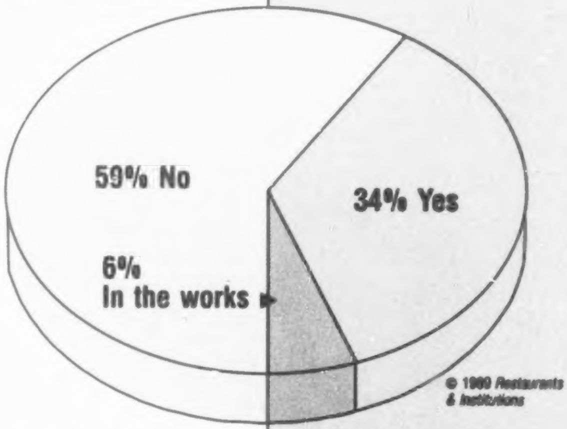
Despite the drawbacks and complications, an ESL program is a good idea for aiding recruitment and retention. And the biggest advantage is the ability to help employees improve the quality of their lives.

According to Mary Marie Bittner of Harrah's in Atlantic City, "Nothing is more satisfying than having an employee come up to you after spending five months in a program and say, 'Look, someone gave me this book and I'm reading it.' "

—Jeff Weinstein

Claudia Riedl teaches an ESL class at the Boca Raton (Fla.) Resort and Club.

DO YOU HAVE A REMEDIAL SKILLS PROGRAM?



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LITERACY STRATEGY FOR THE '90s

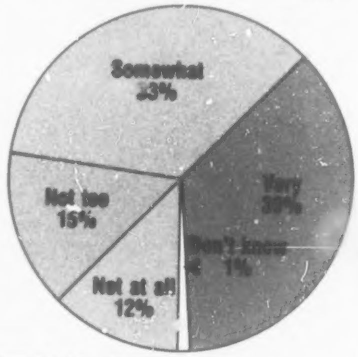
A summer survey of the membership of the Council of Hotel & Restaurant Trainers (CHART) reveals that 34% have instituted a remedial skills training program. Another 6% are beginning to realize that the multicultural makeup of the work force requires that steps be taken improve communication skills in order to enhance guests services —a strategy of numerous hospitality companies for the 1990s.

MARKET TRENDS

continued from page 28

FREQUENT-DINER PLANS A HIT

More than two-thirds of those answering a Gallup survey say they would join a frequent-diner program. Singles, females and 18-34 year-olds are most interested.



Source: The Gallup Organization

making it possible to ship fresh-looking cut fruit across the country.

And at ASR's Veterinary Toxicology Research lab in College Station, Texas, researchers have completed experiments that show milk sugar can reduce the incidence of salmonella in chickens. Research leader John De Loach added 2.5% lactose to the drinking water of just-hatched chicks for 10 days. He then gave an oral dose of salmonella bacteria to that group and to a control group. After 10 days, only 53% of the chicks given lactose were still infected, and those had 99.9% fewer of the bacteria in their bodies than the chicks in the control group that had not received lactose. All of the control group were still infected. The experiment now must be repeated at commercial poultry farms.

Frequent-Diner Plans Could Take Off

Restaurants might want to take a tip from the airlines, which have built extremely loyal clienteles through their frequent-flier programs. Nearly three in four adults say they would be interested in going to a restaurant that offers discounts or incentives to regular customers, similar to the airline programs, according to a survey by The Gallup Organization.

The program appeals more to women (42%) than to men (36%), and younger diners, ages 18 to 34, are more likely to participate (52%) than all other age groups.

The incentive that intrigued the most diners was a free dinner—57% say they would be very interested in such a bonus. Other highly rated incentives include a restaurant gift certificate (45%), a free lunch (39%), free beverage with a meal (33%) and tickets to a movie (32%).

Nearly half of all restaurateurs polled in a similar survey, however, say they have no intentions of implementing a frequent-diner program within the next 12 months. Eleven percent already offer a customer incentive program.

'Couch Potatoes' Still Prefer to Dine Out

Dire reports that Americans are turning into "couch potatoes," preferring to plop down in front of the TV instead of going out for some entertainment, might not be such a threat to the foodservice industry, after all. A recent survey by The Roper Organization shows that dining out is the one major exception to the trend toward at-home leisure.

When considering full-service restaurants, an overwhelming 80% of the survey respondents say they want to dine out; only 10% say they would take out the same food to eat at home. For fast-food restaurants, however, the margin is narrower: 44% say they prefer to eat fast food in the restaurant, compared to 36% who say they want to eat it at home.

Managers: Reviews Stressful but Helpful

More than 98% of the small-business managers who responded to an *Inc.* magazine survey say they find the employee performance review process beneficial, but nearly half also say they find the process stressful. In addition to giving managers and employees a chance to talk about performance, reviews also provide an opportunity for managers to hear what is wrong (or right) about a business.

The survey results show that smaller companies tend to use reviews to deal with broader issues than just an employee's strengths and weaknesses. Businesses with sales of less than $5 million also like to discuss company goals and problems. The survey also shows that the smaller the company, the more often a company is likely to hold reviews; 25% of those with sales less than $1 million say they review employees four times a year. Also more common in smaller companies is the CEO's involvement in reviews. CEOs participate in more than 60% of the reviews for companies with sales of less than $1 million.

—Maureen Pratscher

Dining out, particularly in full-service restaurants, is the one activity that defies a national trend toward at-home leisure.

R&I EXCLUSIVE

GIANTS

By Beth Gotschall

The line between commercial and institutional foodservice has almost disappeared. "We're all on a constant mission to find new and interesting ways to make dining a pleasure," says Ted Smith, foodservice coordinator at Michigan State University in East Lansing. "In a way, we have even more of a challenge than our commercial counterparts when it comes to customer satisfaction because we have the same clients day after day."

The entrepreneurial spirit is alive and well in the institutional foodservice segment. The days of not-for-profit operations are gone, buried by the pressures incurred by budget cuts, dwindling subsidies and increased competition. Institutional foodservices are setting a standard for risk taking and creativity in their effort not only to break even, but also to make a profit. For example, Leprechaun Pizza, Notre Dame University's (South Bend, Ind.) homemade pizza concept, delivers 400 to 500 pizzas a day. Texas A&M University in College Station does $4 million a year in catering for the campus, stadium and student center.

New York City School District is serving dinner, in addition to lunch and breakfast, and prepares meals for the homeless and senior citizens. National Medical Enterprises (Santa Monica, Calif.) specialty hospital group offers candlelight dinners, VIP service, guest-room service for overnight visitors and take-home foods for employees. Dobbs International, the Memphis, Tenn.-based airline caterer, invites chefs from top area restaurants to consult at hub facilities.

Marriott Food and Services Management will provide services from day care to lab-equipment cleaning for its health-care accounts. More institutions own and operate their own vending services. The list of services goes on.

Across the board, institutional foodservices are upgrading facilities as well. Stainless steel on the serving line is becoming a rare sight, and single-line service is making way for station setups with eye-catching signage.

The emphasis is on service as well, with extensive employee training topping priority lists in an effort to make the best use of the labor available. Marketing, especially to establish the institution's identity, has resulted in the development of in-house concepts and tie-ins with well-known consumer foodservice operations.

Today, of course, growth does not come easily. Foodservice contract com-

Allegro
pasta & sauces

CONTRACTORS

HEALTH CARE

SCHOOLS

STEP FORWARD

panies, more often than not, are being asked to provide foodservice with minimum subsidy from business and industry accounts. The health-care and school segments are subject to strict government regulation; complying can be costly and difficult, yet necessary for reimbursement. And more regulation is coming: Health care facilities might be required, among other things, to provide more training for nurses' aides and to have a registered nurse on duty 24 hours a day in all skilled facilities—both costly propositions. Schools must account for free and reduced-price meals with utmost accuracy or will be made to return reimbursement under the new Federal Review System's Accuclaim program.

In the military segment, 86 military bases are to be closed and 54 others consolidated. Domestic military club operations will receive no government subsidies in 1990.

In the pages ahead, *R&I* lists the top 10 purchasers in each of the institutional segments. In many cases, they are a gauge of the trends to come: by virtue of their size, the major players often have more opportunities to try new concepts and more resources to implement new programs. Based on the plans these professionals have shared with us, the future of institutional foodservice looks bright, indeed. *Note:* Data used to compile the listings has been gleaned from *R&I*'s 1989 "400" files and surveys conducted by *Report on Institutional Foodservice*, a monthly newsletter written by Julie Woodman (Information Central Inc., Prescott, Ariz. For subscription information, circle 600 on the Reader Service Card).

Institutions serve gourmet foods, hire professional chefs, tie into brand names, package convenience foods, cater and do anything else it takes to keep customers happy.

COLLEGES & UNIVERSITIES

MILITARY

INSTITUTIONAL GIANTS

CONTRACTORS

1 **MARRIOTT FOOD SERVICES MGMT.**
Washington, D.C.
F&B purchases: $1,197.6MM
No. of accounts: 2,300
No. of employees: 210,000
News: Health care is major growth area. Expanding services to include building maintenance, laundry, child care, lab equipment cleaning.

2 **ARA SERVICES INC.**
Philadelphia
F&B purchases: $839.3MM
No. of accounts: 2,500
No. of employees: 132,000
News: Adding to retail foodservice program with pasta and chicken concepts. Refining and standardizing Classic Fare catering program.

3 **CANTEEN CO.**
Chicago
F&B purchases: $460.3MM
No. of accounts: 1,883
No. of employees: 31,000 (full time); 8,000 (part time)
News: Purchased by Coniston Partners. Sees schools and colleges, correctional facilities and health-care segment as growth areas.

4 **SERVICE AMERICA**
Stamford, Conn.
F&B purchases: $356MM
No. of accounts: 2,000 (excludes vending)
No. of employees: 20,000
News: Implementing new Directions in Dining signage program. Integrating marketing efforts with national purchasing decisions.

5 **MORRISON CUSTOM MGMT.**
Mobile, Ala.
F&B purchases: $247MM
No. of accounts: 880
No. of employees: 11,400
News: Launching Fast Takes takeout program this month. Stepping up recruitment policies to attract quality employees.

Major players say there is room to grow; retail concepts, convenience foods are hot.

"The future looks great, the market is alive," says Dave Hatch, vice president of marketing at Philadelphia-based ARA. Indeed, with the largest contractors representing only 4% to 5% of the business (according to Canteen president and CEO Robert Kozlowski), there is plenty of room to grow, especially in the health-care, college and university, and correctional markets. Primary and secondary schools also were mentioned as potential growth areas. Several of the large contractors are expanding services to bring multidepartment tasks, such as building maintenance, laundry and child care, under one management roof.

Contract giants continue to expand on retail concepts, and the branding of company programs is more sophisticated than ever. "The concept is only as good as the account manager running it," says Hatch at ARA. For that reason, packaging, facility and equipment design, training programs, newsletters, promotional materials and a plethora of other support services for retail-oriented concepts are presented in the clearest, most easy to implement formats to help managers take advantage of programs and trends quickly and successfully.

And new programs abound at a majority of the top 10 contract companies. Seiler Corp., Waltham, Mass., has a five-part program that is offered to accounts in all markets. Slices Plus, the pizza-delivery concept, is going strong on college campuses. Cuisine To Go including a successful thermal mug coffee-club program, enhances takeout service in B&I, health-care and college accounts. Combo Platters, combination lunches for a special price (such as those seen in the fast-food arena) offer everything from hamburger, fries, soft drink to soup and half a sandwich to keep clients in at lunch.

At ARA, the Classic Fare catering program is undergoing an extensive standardization, down to suggesting which flatware to use, to ensure consistency of quality and to take advantage of price breaks for quantity buying. "By standardizing, we'll also be able to get away from renting supplies, which is a big expense," says Hatch. "If two accounts are near to one another, they can borrow if the need arises."

ARA also is continuing to expand its in-house, retail-style food concepts; a pasta and a chicken line are being offered to accounts in many institutional segments. Morrison Custom Management is launching its extensive takeout program, called Fast Takes, this month. The grab-and-go concept, which took well over a year to develop,

RESTAURANTS & INSTITUTIONS

will offer sandwiches, hot and cold entrees, muffins, salads, breakfast biscuit sandwiches and other easily transported products to customers in several segments. One interesting twist is that in B&I accounts, the products will be especially marketed for customers to take back to desks, not off premises. Packaging, signage, display units and promotional materials will accompany the program.

The retail mentality has hit in-flight foodservices as well. Dobbs International in Memphis, Tenn., is switching from national menus to regional menus to take advantage of area foods and tastes. "We're putting more emphasis on freshly prepared over frozen foods, as well," says George Alvord, vice president of sales and marketing. "I would happily challenge any four-star restaurant to compare their food with the selections we offer first-class passengers," he adds. In some instances, the in-flight feeder is arranging for chefs from the nation's finest restaurants to consult at hub operations.

Alliances with commercially known brands are bringing the commercial foodservice world in-house: ARA and Dunkin' Donuts have teamed up, Marriott and Pizza Hut are working together, and Morrison Custom Management has an agreement with McDonald's wherein the two will approach acute-care hospital accounts together to propose a full-foodservice package.

Marriott is improving vending services, as well, in an effort to answer the needs of the smaller, suburban office complex. The Washington, D.C.-based contractor also is expanding services, especially in health-care accounts, to include building maintenance, child care, laundry and lab equipment cleaning. "I think the hospital administrators want to be able to call one contact for these services," says Kathy Boyle, manager for public relations in the Food and Services Management division.

Most of the large contractors agree that the health care market is the major growth area. But health-care foodservice is a unique proposition, according to Don Storer, president of the health-care division for Seiler/FDI. "Brand names, retail concepts, all the 'hot' new programs are not going to answer the needs of the health-care segment," he says. "With all the state, federal and local regulations involved in health-care feeding, they need cost-effective quality, not glitz."

While the major contractors have the advantage of vast resources to increase foodservice revenues, criticisms arise, contending that quality and service can suffer with a large company. "You need to stay on your toes when you're talking about competing with the blood and sweat equity of a small, regional company owner," adds Canteen's Kozlowski. Because of concern over service, a majority of the large contractors have programs to enhance employee training in place. Canteen's Saturn Series II works to develop personnel into more productive, more confident employees by teaching the specialized tricks of the trade, from decision making to garnishing.

continued on page 54

6 **OGDEN ALLIED**
New York
F&B purchases: $152MM
No. of accounts: 1,725
No. of employees: N/A
News: Co. is the leader in bringing foodservice into unusual locations, including offshore oil rigs. Foodservice is separated by division, not centralized.

7 **DOBBS INTERNATIONAL**
Memphis, Tenn.
F&B purchases: $124.3MM
No. of accounts: 48
No. of employees: 7,000
News: Major upgrading is in effect with more regional menus; more fresh prepared foods over frozen.

8 **GREYHOUND FOOD MGMT.**
Phoenix, Ariz.
F&B purchases: $103.9MM
No. of accounts: 278
No. of employees: 6,000 (full time); 1,300 (part time)
News: Rolling out new signature pizza concept called Restaura Pizzeria Pizza. Testing fax-machine ordering in one downtown B&I account to bring in incremental sales from surrounding offices.

9 **SKY CHEFS INC.**
Dallas/Fort Worth Airport, Texas
F&B purchases: $103.7MM
No. of accounts: 40
No. of employees: 8,000
News: New kitchens in Fort Lauderdale and Phoenix. Several facilities feature overhead conveyor systems and computerized work flow.

10 **THE SEILER CORP.**
Waltham, Mass.
F&B purchases: $73.1MM
No. of accounts: 400
No. of employees: 8,000
News: Continuing to improve retail programs, including Slices Plus pizza, Cuisine To Go.

INSTITUTIONAL GIANTS

HEALTH CARE

1 **BEVERLY ENTERPRISES**
Atlanta
F&B purchases: $96MM
Units: 1,045
Beds/capacity: 111,727
No. of employees: 10,000
News: Implementing flexible, new software system that allows pricing out on screen, forecasting, recipe editing, nutritional breakout.

2 **HOSPITAL CORP. OF AMERICA**
Nashville, Tenn.
F&B purchases: $81MM
Units: 326
Beds/capacity: 48,856
News: Western region is going to standard menu to increase group buying power. HCA sold HCA Management subsidiary, of which foodservice is a part, but continues as HCA Mgmt.'s No. 1 client.

3 **NATIONAL MEDICAL ENTERPRISES**
Santa Monica, Calif.
F&B purchases: $80.7MM
Units: 505
Beds/capacity: 62,595
News: Hiring more chefs in hospitals, trimming menus for fewer but better selections. Psychiatric facilities are major growth area.

4 **HUMANA INC.**
Louisville, Ky.
F&B purchases: $31.7MM
Units: 80
Beds/capacity: 16,840
News: Cook-chill is a possibility for urban facilities where size and patient counts warrant the investment.

5 **ADVENTIST HEALTH SYSTEM**
Arlington, Texas
F&B purchases: $27.1MM
Units: 143
Beds/capacity: 19,053
News: Porter Hospital in Denver opened new doctors private dining facility. Cook-chill is up and running at Florida Hospital in Orlando.

Cost containment, quality improvement are goals of the top 10 health-care chains.

The trend toward downsizing over the past several years has foodservice directors at the nation's largest health-care chains searching hard for ways to contain costs and generate profits. Simple overexpansion has created more bed space than is needed in some cases. Also, many chains lose money due to dependence on government funding that does not always adequately cover the cost of doing business.

"People in the industry are forecasting more consolidation, in terms of services and hospital ownership," says Paul Powell, vice president of purchasing at Louisville, Ky.-based Humana. Hospital Corp. of America in Nashville, Tenn., recently sold off the HCA Management subsidiary to HCA executives and Welsh Carson, a New York investment group. But HCA will continue to be HCA Management's No. 1 client. The Support Services division of Nashville-based Health Trust was eliminated in a restructuring action in May. Previous foodservice contracts are intact, but all consulting services were dissolved. A new contract negotiator came on board in September, but future plans for foodservices are unknown.

The need for support services to operate on a self-supporting basis is stronger than ever. Health-care chains are not embracing retail-oriented services with the fervor shown by many other institutional segments, with the exception of some hospitals where such amenities attract private-pay patients.

"You have to understand the cost parameters of long-term care," says Don Tapper, director of food and nutrition for Atlanta-based Beverly Enterprises. "We don't have a lot of money to spend."

Also, for long-term care facilities, the retail approach is not always necessary or desired. "A lot of our clients are very old and very sick," says one director, "We're more concerned with

continued on page 60

INSTITUTIONAL GIANTS

HEALTH CARE

6 **ARA LIVING CENTERS**
Houston
F&B purchases: $26.9MM
Units: 251
Beds/capacity: 27,578
News: Looking into computer system to track costs accurately and quickly. Trying to establish more national purchasing contracts.

7 **DAUGHTERS OF CHARITY**
St. Louis
F&B purchases: $26.8MM
Units: 57
Beds/capacity: 15,170
News: Continuing to negotiate purchasing contracts. Implementing health/wellness programs. Seeing increase in outpatient services.

8 **NATIONAL HERITAGE**
Dallas
F&B purchases: $26MM
Units: 223
Beds/capacity: 25,000
News: Lack of price stability due to drought is of concern. Purchased 30-facility Retirement Corp.

9 **NEW YORK CITY HEALTH AND HOSPITAL CORP.**
New York
F&B purchases: $23MM
Units: 16
Beds/capacity: 9,996
News: Chain is handling disproportionate number of AIDS cases, 35% of N.Y.C. total. Upgrading foodservice facilities at Hull Medical & Mental Health Center.

10 **HEALTH TRUST**
Nashville, Tenn.
F&B purchases: $22.5MM
Units: 96
Beds/capacity: 13,218
News: May 1989 restructuring eliminated support services division, most notably consulting services. New contract negotiator came on in September and all pre-May foodservice contracts remain intact.

Computerization helps health-care facilities lessen paperwork, track costs.

continued from page 54

feeding them nutritiously, which in itself takes a lot of time and effort to do correctly."

To meet this goal, the large health-care chains are seeking ways to contain costs. In addition to a constant search for better distribution arrangements (to take advantage of the best deals in a given region), manufacturer allowances and rebates, and better use of group buying power to reduce food costs, many of the large chains are trying to improve productivity, and computer systems are garnering increased interest because they enable better tracking of costs.

Jill Haithwaite, dietary systems analyst for ARA Living Centers in Houston, says "We are definitely looking into buying a computer system to help us become proactive rather than reactive to price changes in menus." ARA Living Centers' price-per-patient-day budget is set every six months. However, if the price of an item goes up, the department has difficulty tracking the cost and can only react at the end of the six-month period, too late to keep within the set budget. "That's where you lose money," adds Haithwaite.

While computers can help to step up productivity and accountability, they are not the only answer. In 1988, Hospital Corp. of America developed its NutriCore program, the "Core" of which stands for consultation, operations review and education. The program's focus is to teach managers cost containment and quality enhancement.

"It's really a matter of going back to basics," says Mary Welsh Owen, director of dietary services at HCA. The program teaches managers to make sure they are following proper purchasing procedures, staying within targeted budgets, following recipes, and tracking revenue-generating activities to decide if they are profitable enough to continue.

The NutriCore program also helps to streamline production. For example, if the employee in charge of special functions needs salads, he or she can have the salad preparer make extras, rather than making up the salads themselves. "Streamlining helps prevent double work," says Owen. The program, implemented through seminars, on-site training sessions and written manuals, also produces productivity reports based on geographic regions so that facilities can compare themselves to similar facilities in their area. "That's the networking part of NutriCore," says Owen, "It really helps managers to see if they are keeping up, or if not, what they are doing wrong."

At ARA Living Centers, Haithwaite is considering a plan to have employees work at two facilities in an area where the facilities are within walking distance. "An employee could work the morning preparing lunch at facility A, and then walk over to facility B in the early afternoon to help with dinner preparation," she explains. "We don't know how it will work, but we'll try it out."

Producing profits is the other side of the health-care foodservice equation. In addition to retail-quality foodservice concepts, National Medical Enterprises began charging a flat rate to private-pay patients for modified diet meals to increase revenues. "It's already been done for a few years in some hospitals with great success," says Trudi McComb, director of food and nutrition services at NME.

Several of the large chains are involved in community feeding programs, including Meals on Wheels. HCA is looking into providing foodservice to area pre-schools. Many "hire out" dietitians to physicians, for outpatient and community work. "We'll take any alternative to staff reductions," says Owen of HCA.

INSTITUTIONAL GIANTS

SCHOOLS

Fast-food competition, nutrition concerns and commodity cuts warrant creative approaches.

"I've always been one to question when someone says 'Well, we've always done it this way,' " says Tom McGlinchy, director of foodservice for the Philadelphia Public Schools. "It sets off an alarm in my head."

More than ever, the need for innovation grows in the nation's largest school district foodservices. Cuts in bonus commodities increase the need for increased revenues because more items need to be purchased. Also, the age-old dilemma of serving menus that are nutritious and appealing (to students reared with a fast-food mentality) calls for new recipes, creative presentation, a constant search for new products, and improved communication about nutrition between foodservices and students.

"Increasing participation is the only way we can generate revenues," says McGlinchy, "and I have no problem jumping on the commercial bandwagon if it means products that will sell." Last year, Philadelphia schools served mini-burgers, similar to those of several fast-food chains, with excellent results. Suppliers often can modify products to schools' specifications. "We were at our pizza supplier's plant and noticed large sheet pans of lasagna. We asked if they could package the lasagna and another item, stuffed shells, individually, and they said sure," says McGlinchy. Hence, two new products for the menu.

Borrowing an idea he saw in use in the Pittsburgh school district, McGlinchy is implementing field-trip lunches. "We'll pack up aseptic milk, a sausage on a stick, raisins, an apple, little wrapped cheese-and-cracker combos and a cookie, freeze the lunches in 24-pack boxes and pull them out whenever a school is organizing a field trip," he says. "We use the lunches as emergency meals as well."

Keeping meal counts up is only part of the equation in generating dollars—

1 **NEW YORK CITY BOARD OF EDUCATION**
New York
F&B purchases: $86.3MM
No. of meals a year: 124MM
No. of employees: 9,848
Labor cost: N/A
News: Introduced low-salt, 95% fat-free ham, barbecue glazed chicken nuggets (no breading), oat-bran cinnamon apple doughnuts. Ad campaign continues.

2 **LOS ANGELES UNIFIED SCHOOL DISTRICT**
Los Angeles
F&B purchases: $64.5MM
No. of meals a year: 110.6MM
No. of employees: 5,000
Labor cost: $65.7MM
News: Implemented dual-entree program. New director, Stephen Garcia, will begin this year.

3 **CHICAGO BOARD OF EDUCATION**
Chicago
F&B purchases: $45.7MM
No. of meals a year: 51MM
No. of employees: 3,700
Labor cost: $35MM
News: Plans to build a new test kitchen are in the works.

4 **PUERTO RICO SCHOOL DISTRICT**
Calaf Hato Rey, P.R.
F&B purchases: $39.7MM
No. of meals a year: 97MM
No. of employees: 14,769
Labor cost: $86MM
News: New menu items include fish and chicken nuggets, fresh milk, meatloaf, meatballs, salad bars.

5 **DADE COUNTY SCHOOL DISTRICT**
Miami
F&B purchases: $20.7MM
No. of meals a year: 37MM
No. of employees: 2,442
Labor cost: $24.5MM
News: New hot dog carts are going up outside on patios; soda will be offered. Now offer more ethnic selections, Chinese, Mexican, Greek.

INSTITUTIONAL GIANTS

SCHOOLS

6 **HOUSTON INDEPENDENT SCHOOL DISTRICT**
Houston
F&B purchases: $20.5MM
No. of meals a year: 34MM
No. of employees: 2,000
Labor cost: $17MM
News: Choose Right, Eat Right program developed with the American Heart Association offers a wide array of nutritious menu selections.

7 **SCHOOL DISTRICT OF PHILADELPHIA**
Philadelphia
F&B purchases: $17.2MM
No. of meals a year: 19.4MM
No. of employees: 2,152
Labor cost: $19.8MM
News: New field-trip packs featuring five-component lunch are premade and frozen, pulled out for trips and emergency needs such as equipment breakdown.

8 **HAWAII STATEWIDE SCHOOLS**
Honolulu
F&B purchases: $15.2MM
No. of meals a year: 24MM
No. of employees: 800
Labor cost: $12MM
News: Best sellers are pizza, chimichangas and any fast-food items.

9 **SCHOOL BOARD OF HILLSBOROUGH COUNTY**
Tampa, Fla.
F&B purchases: $14.1MM
No. of meals a year: 20MM
No. of employees: 1,179
Labor cost: $17MM
News: New menu items include unbreaded chicken patties, fish items and low-fat meat products.

10 **DALLAS INDEPENDENT SCHOOL DISTRICT**
Dallas
F&B purchases: $12.5MM
No. of meals a year: 18.2MM
No. of employees: 1,500
Labor cost: $12MM
News: New menu items include lemon baked chicken, fried zucchini, spicy pinto beans.

Schools challenge their suppliers to capture students' interest with new and exciting products.

counting meals accurately is the other. The Federal Review System's Accuclaim program, demanding return of reimbursement for insufficiently documented free and reduced-price meals, further tightens foodservice purse strings. "We have an influx of refugees and immigrants who are literally living in a stadium right now," says Jack Hastings, director of foodservice in Dade County, Fla. "Not only do they not have Social Security numbers, they don't have addresses, jobs, phone numbers or any kind of information we need to fill out the proper forms. But we are still feeding those kids, and for some, it's the only decent meal they have all day."

While the government does allow school administrators, including principals, to authorize forms in emergency situations like that in Dade County, more and more large systems are finding that investment in more accurate accounting systems are called for as the ability to account for meals dictates reimbursement policy. Chicago, Philadephia, and Hillsborough and Dade Counties in Florida are all investigating or adding new computer systems to keep track of everything from inventory to purchases and to create cashless card systems for accurate free and reduced-price meal reporting.

Many of the large school districts have found that increasing a la carte selections helps keep revenues up; approximately 80% of the school districts across the country have some sort of a la carte.

"We've definitely increased our a la carte program in the secondary schools," says Hastings. "This summer, I'm setting up grill carts on the outside patios, for hot dogs and burgers, and we have decided to sell sodas as well." The decision for the latter came after years of problems with kids leaving the school grounds to buy soft drinks. Like McGlinchy, Hastings feels that even if a concept never has been tried before, the times call for new plans. "Soda was the primary reason these kids left at lunch, but they were getting into trouble on the streets, too. So we decided that if selling soda would help keep them on the grounds, we'd do it. And our nutrition consultants backed us up on it."

While all the large district foodservices agree that selling nutritious items is more difficult in the middle and high schools than at the elementary level, strides are being made. Houston recently developed its Choose Right, Eat Right program in conjunction with the American Heart Association. "We're large enough to specify products, and we have a test kitchen, so we've been able to come up with a wide variety of new items that fit the program," says Fred Higgins, director of food delivery services for Houston Independent. The sugar in desserts and all salt in recipes was cut in half, and a whole-wheat pizza crust was developed, as was a turkey chili and an unbreaded baked cod dish.

"Even the snack items are healthier," says Higgins. "We have granola bars and healthy snack mixes instead of candy bars and chips." Higgins expected an uproar from students in the secondary schools. "The program was a wonderful success in the elementary schools, but we lost some students in the secondary schools when it all began. But they are coming back. As a matter of fact, participation is up over last year." Even though the district knew there would be some initial objection to the new program, Higgins says the Houston district knew it could implement the program with success over time. "We've even designed an after-school snack cookbook in-house," says Higgins. "It's free to kids whose parents sign for it and helps to extend healthy eating habits into the home. It's all part of the plan."

INSTITUTIONAL GIANTS

COLLEGES & UNIVERSITIES

1 **PENNSYLVANIA STATE UNIVERSITY**
University Park, Pa.
F&B purchases: $10.3MM
Enrollment: 32,000
Board contracts: 12,500
Meals served a day: 35,000
News: Underwent major menu revision last year, after writing to 100 schools for their best recipes.

2 **BOSTON UNIVERSITY**
Boston
F&B purchases: $10MM
Enrollment: 28,000
Board contracts: 7,500
Meals served a day: 26,000
News: Budget Plus system, a flexible combination of declining balance and board plan (letting students tailor dining to personal lifestyle), is gaining more popularity.

3 **TEXAS A&M UNIVERSITY**
College Station, Texas
F&B purchases: $9MM
Enrollment: 39,000
Board contracts: 12,000
Meals served a day: 65,000
News: First c-store did more than $1MM in sales—more to come. Renovating Commons dining facility to include cook-your-own grill.

4 **MICHIGAN STATE UNIVERSITY**
East Lansing, Mich.
F&B purchases: $9MM
Enrollment: 42,000
Board contracts: 17,000
Meals served a day: 65,000
News: This fall, students can take additional portions or samples of two entrees first time through line.

5 **UNIVERSITY OF ILLINOIS**
Urbana, Ill.
F&B purchases: $8.3MM
Enrollment: 33,800
Board contracts: 10,000
Meals served a day: 50,000
News: Cake and Cookie gift-package program, marketed to parents, is success.

Diversity thrives in university dining; food courts, promotions, ethnic foods keep students satisfied.

"We used to compete with Mom," says Tom Gibson, foodservice director at Pennsylvania State University in University Park, Pa. "Now we're competing with every kind of retail foodservice operation out there." College foodservices have come a long way from three squares a day. Today's student is more sophisticated, more nutritionally aware and more affected by the media and marketing of retail operations than ever before.

Students have a much better sense of value, adds Gibson. "In the past, if a student said, 'Your food is terrible,' the foodservice director would scatch his head saying, 'How can that be? I serve the best cuts of meat, the best vegetables . . . ' He was only looking at the food." But the value perception comes from other things besides food, he adds. Lighting, service, decor, presentation, all add up to a perceived value. "You don't serve 70 pork chops out of a huge broiler pan and wait until the last one is gone before replacing it anymore," says Gibson.

By the same token, students are extremely receptive to promotions and marketing efforts, from school-logo coffee mugs to theme dinners, and new food concepts such as c-stores and specialty shops.

Foodservices on campuses are moving ahead to introduce new products, and new ways to present old favorites. At Rutgers University, New Brunswick, N.J., theme bars enable foodservices at each of the five dining halls to present a different special every day of the week. The self-service aspect of the bars allows students to make their own dish to their own taste. Bars feature Mexican, Chinese, hoagies, import cheeses, chili—with and without meat, surrounded by pots of onions, peppers, rice, chicken and other additions—sundae fixings, Swiss waffle setups with assorted toppings, pie and cake bars and ice-cream soda makings. "It gives

INSTITUTIONAL GIANTS

COLLEGES & UNIVERSITIES

6 **RUTGERS UNIVERSITY**
New Brunswick, N.J.
F&B purchases: $8MM
Enrollment: 33,500
Board contracts: 14,000
Meals served a day: 25,000
News: Sees increased demand for vegetarian selections. Reduced sodium by 50% in 75% of recipes.

7 **UNIVERSITY OF MINNESOTA**
Minneapolis
F&B purchases: $8MM
Enrollment: 65,000
Board contracts: 4,100
Meals served a day: 6,800
News: Successfully attracting student labor by offering good wages. Nutrition awareness programs in the works.

8 **CORNELL UNIVERSITY**
Ithaca, N.Y.
F&B purchases: $7.4MM
Enrollment: 17,500
Board contracts: 8,100
Meals served a day: 26,000
News: New 400-seat facility is designed to include food-court setup with grill, bakery, international sections, salad station.

9 **UNIVERSITY OF NOTRE DAME**
South Bend, Ind.
F&B purchases: $7.3MM
Enrollment: 9,400
Board contracts: 7,000
Meals served a day: 25,000
News: Student Center foodservices, renovated 2 years ago, did $1.9MM in sales last year. Catering did $2.5MM. Food courts strong.

10 **UNITED STATES AIR FORCE ACADEMY**
Colorado Springs, Colo.
F&B purchases: $7.2MM
Enrollment: 4,500
Board contracts: 4,500
Meals served a day: 12,500
News: Starting Eat Right to Excel program. Switched to canola oil.

Nutrition, community programs, food safety, facility upgrades concern university foodservices.

us a chance to expose students to more unusual foods, as well," says Al Strauss, Rutgers foodservice director.

Food courts are gaining in popularity and provide opportunities for marketing. "When we renovated our Student Center two years ago, we enclosed the grill and the wok area in glass so the kids could watch their food being made," says Bill Hickey, director of foodservice at Notre Dame in South Bend, Ind. The food court opened last January at Texas A&M, College Station, Texas, includes a bakery, ice cream parlor, Mexican operation, deli and Chinese concept, along with a grill and soup station. The grill at another newly renovated facility on campus, Commons, will allow students to grill their own meals. "We'll put out eggs, pancake batter, and other items for breakfast, then switch to hot dogs, hamburgers, grilled-cheese makings and the like at lunch," says Lloyd Smith, foodservice director at A&M.

At Michigan State University, East Lansing, director Ted Smith is implementing Chef Showcase nights. Chefs and cooks will come out of the kitchen and into the dining room to give cooking demonstrations, and the recipe demonstrated will be served. "Our chefs will mingle with the students," says Smith. "And it will give students a chance to meet the person behind the scenes."

Most of the top 10 college and university foodservices are more concerned about nutrition as well. "Hamburgers, pizza and fried chicken will always be served," says one director, "but where we can, we'll improve the nutritional makeup of our selections." Salt has been reduced by 50% in almost 75% of the recipes at Rutgers. Reductions in fat and cholesterol are common. While fried foods still are popular, more broiled foods are making their way onto menus. Salad bars offer unusual varieties of vegetables and fruits to step up interest.

The universities are doing everything from newsletters to theme nights to educate students about nutrition. At Texas A&M, computers in the dining halls let students punch in the items in their meal for an instant calorie count. Penn State posts nutritional-content boards at the head of serving lines, and students on diets to gain or lose weight, in training for athletics or with special diet needs can consult the university's nutrition department for personalized counseling. "The nutrition department has a copy of our menu cycles, so they can tell students what to have on a day-to-day basis," says Gibson.

Concerns over food safety figure predominantly in university foodservice as well. "We're very aware of the way we store foods, the temperatures at which they're held and served, and the sanitation practices of our employees," says Gibson. "A clean floor is certainly mandatory, but that's only the tip of the iceberg," he adds. "You have to have a knowledge of the properties of food, time and temperature." At Rutgers, foodservices work closely with the department of food sciences to check the microbiological aspects of foods in random samplings. "Our food-safety analysis program costs $75,000 a year," says Strauss. "But it's well worth the investment. We haven't had a problem in the 25 years I've been here."

Universities always have been the environments for advanced thinking and community concern. When students at Notre Dame approached Hickey about the waste of excess or once-cooked food thrown out each day, he agreed to let them implement a program to donate the food to the homeless if they could prove the school would not be liable. The students did, based on a similar action taken at Harvard, and the program was initiated.

INSTITUTIONAL GIANTS

1 **U.S. ARMY TROOP SUPPORT AGENCY**
Fort Lee, Va.
F&B purchases: $476MM
Units: 995
No. of employees: 13,432 (excludes contract employees)
News: Revised U.S. Army Reserve Component and Field Training Menu has more low-fat, low-sodium items. New additions include Cobb salad, herbed baked fish, stir-fried entrees, more whole-grain products.

2 **U.S. NAVY FOOD SERVICE SYSTEMS OFFICE**
Washington, D.C.
F&B purchases: $320MM
Units: 691
Meals served a day: 573,000
News: Offering seminars and newsletters on nutrition to foodservice managers. Increasing use of automated financial reporting systems.

3 **U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTERS**
Alexandria, Va.
F&B purchases: $275.7MM
Units: 624
No. of employees: N/A
News: Department is in process of assessing club system and developing a new, five-year plan.

4 **ARMY AND AIR FORCE EXCHANGE SERVICE**
Dallas
F&B purchases: $476MM
Units: 2,102
No. of employees: 4,225 (full time); 12,275 (part time)
News: Developing own theme restaurant brands. Carrying through concept in decor, menus, packaging.

5 **U.S. AIR FORCE OPEN MESS SYSTEM**
Randolph Air Force Base, Texas
F&B purchases: $118.9MM
Units: 270
No. of employees: 4,500 (full time); 13,000 (part time)
News: Continuing to expand Armed Forces Culinary Upgrade Program.

MILITARY

Budget cuts force military foodservices to do more with less; retail mentality flourishes.

The congressional budget cuts, scheduled to take effect Oct. 1, 1990, will have a major effect on many military foodservice operations, especially the club and retail branches. As those departments face the reality of having to do more with less, most are looking to the private sector for ideas on how to generate enough revenues to not only create self-supporting operations but profits, as well. The lure of off-base entertainment and foodservice is no longer just a problem, but a direct competitive threat.

Several branches are fighting fire with fire. The U.S. Navy Officers and Enlisted Clubs System, based in Washington, D.C., is breaking with tradition by offering a new program of commercial-style foodservice concepts on base. As a result of the congressional budget cuts, the department's domestic activities no longer will receive government subsidies, which accounted for approximately $30 million of the total $200 million Navy Clubs budget last year. "We'll still receive part of that $30 million for remote locations, mostly overseas," says Larry Kelly, head of the Navy Club Branch of the Naval Military Personnel Command. "But domestic operations won't receive any subsidy."

As a result, the club system is developing a whole new approach to club activities, an approach with a decidedly commercial angle. "We've hired a staff of five civilian foodservice professionals to head the new concept development program," says Kelly.

Traditionally, most naval bases offer an officers club, a chief petty officers club and an enlisted club. "Each club would try to be everything to its given members," says Kelly. "It would set up for lunch, break down and reset for a banquet, break down and reset for a nightclub setting."

The new plan calls for conversion of the existing chief petty officers and

UNITED STATES
CORPS

INSTITUTIONAL GIANTS

6 **U.S. AIR FORCE ENGINEERING AND SERVICES CENTER**
Tyndall Air Force Base, Fla.
F&B purchases: $103.5MM
Units: 597
No. of employees: 6,512
News: Nutritional items are emphasized on menus, indicated by a Healthy Heart seal. Currently testing new soups, cereals, pasta entrees and sandwiches.

7 **VETERANS ADMINISTRATION**
Washington, D.C.
F&B purchases: $92.2MM
Units: 172
No. of employees: 9,842 (full time); 4,327 (part time); 57 (intermittent)
News: Implementing more automation to reduce workload.

8 **U.S. MARINE CORPS**
Washington, D.C.
F&B purchases: $85.7MM
Units: 107
No. of employees: N/A
News: New menu items include low-fat yogurt, kiwi, mangoes, snow pea pods; testing dehydrated egg mix, canned white bread for field use.

9 **U.S. NAVY OFFICERS AND ENLISTED CLUB SYSTEM**
Washington, D.C.
F&B purchases: $58.6MM
Units: 276
No. of employees: 10,000
News: New staff for concept development will create club alternatives such as family restaurants, conference/banquet centers, fast-food packages, sports bars to generate revenues.

10 **NAVY RESALE AND SERVICES SUPPORT OFFICE**
Staten Island, N.Y.
F&B purchases: $42MM
Units: 581
No. of employees: 26,000
(includes total retail and F&B)
News: Continuing to expand both in-house food-court concepts and contracts with name-brand fast-food chains on base.

MILITARY

Upgrades at military clubs incorporate popular concepts, such as nightclubs and family restaurants.

enlisted clubs (no officers clubs are slated for conversion at this time) into any of five new concepts: a fast-food operation, a midscale family-dining restaurant, a banquet/conference center, a nightclub and a sports bar based on a commercial concept called the Baltimore Original Sports Bar. All of the concepts will be open to all military personnel, breaking the tradition of rank-designated admittance.

"We here in Washington are acting as a resource," says Kelly, adding that it is up to each local command to decide which of the concepts fit the needs of its base personnel. "If they decide they want a fast-food place, a nightclub and a banquet center only, we'll tell them how to do it, and keep an eye on quality control," he says. "It's a lot like how a franchise agreement would operate."

The Navy Club's system has high hopes for the new program. "We survey about a third of the Navy every year and get an idea of what they like. We're finally listening to their comments about why they go off base for entertainment," says Kelly. "Their tastes are no different from the civilian side, so we're going to bring the commercial world on base. The extent to which we're doing it is a first in military foodservice."

At this time, several sports bars are already open, having been developed independently before the new program was set. Locations include Brunswick, Maine; Concord, Calif.; and New Orleans. The sports bars on two bases, in Norfolk, Va., and San Diego, Calif., are contracted out with a profit-sharing agreement to Harborage Inc., a Dallas-based hospitality management company that manages the Baltimore Original Sports Bar. The design includes 40 television monitors, 10-foot high television screens, a boxing-ring dance floor, free-throw court, and bar games such as darts and pool—guaranteed to keep customers occupied.

"We've had a lot of inquiry about the program from the other branches," says Kelly. "If they can get approval through the chain of command, we believe it can work well for anyone."

While the budget cuts will affect club and retail branches the most, the subsistence departments also are looking for ways to keep foodservices appealing. "Our marines are a captive audience in the sense that they have cards to use toward meals," says Major Gary Fuhrman, head of U.S. Marine Corp. Foodservice and Subsistence Program. "But I say that with a caveat because a marine or his buddy has a vehicle and they can head off base for any number of alternatives to our foodservices."

At the same time, nutrition concerns are calling for introduction of more items that are lower in fat, sodium and cholesterol, especially to those departments responsible for subsistence feeding. Despite the popularity of fast-food items (burgers and fried chicken still sell well), most departments feel it should not be too difficult to move more healthy menu selections: A directive handed down from the Surgeon General's office on the need for improved diets has gone out.

"There are plenty of good-tasting, nutritionally sound products out there," says one foodservice director. "It's a matter of working up new recipes and marketing the products well." Food bars, for potatoes, desserts, salads and pasta, offer foods in a format enlisted are used to seeing off-base. More a la carte selections reinforce the value aspect—personnel pay only for what they choose. "That's an important edge for us in subsistence feeding," says Captain J.F. Anderson, U.S. Navy Foodservice Systems Office, Washington, D.C. And having the edge will be important in the coming year. R&I

EXPANSION STRATEGIES

Dining à la Cart

In search of higher margins, supermarkets are contending for a greater share of America's food dollar. Their strategy: catering, quick service, delivery, drive-thrus and commissaries, plus an ever-increasing line of signature prepared foods.

The new competitors showcase their products to thousands of customers daily. They are experts in customer relations and mass media marketing. They command a vast network of suppliers for every kind of ingredient. And there are 16,000 of them.

Restaurateurs, take warning. Supermarkets are serious about foodservice. In-store bakeries, salad bars, barbecued chicken and ribs displays, and pizza "stands" abound. Supermarkets are remodeling delis, adding central kitchens, hiring consultants, bringing professional chefs on staff, designing in-store restaurants and building drive-thru windows. Other signs that supermarkets are in the business to stay: Advertising is up, counter size is increasing, precious floor space is being sacrificed to expand prepared-food sections. The increasing variety of food choices also signals growth.

The boom in fresh prepared foods is less than a decade old, and annual industry sales now conservatively estimated at $2 billion show no signs of slowing. A CREST study found that traffic counts for foodservice purchases at grocery stores zoomed upward by 95% in just one year, from 1986 to 1987. According to Hal Linstrom, an agricultural economist at the U.S. Department of Agriculture, restaurant growth slowed from 3.9% in 1986 to 1.6% in 1987; Linstrom told *Newsweek* that the boom in supermarket prepared foods might account for some of that shift.

Of course, supermarket executives face the same difficulties as restaurateurs. In addition to vying with restaurants for customers, they must compete for scarce labor and develop new approaches to maintaining food and kitchen sanitation, handling food and minimizing waste. So far, they are tackling these challenges with zeal.

BIG PROFITS ARE INCENTIVE

As used in this article, the term *prepared foods* refers to fresh foods prepared on the supermarket premises from scratch (or a mix of scratch and convenience products) or off premises at a company-owned facility. Sales of traditional deli items, such as sliced meats and cheeses, are not included in the industry estimates.

About 85% of stores with delis sell prepared foods that meet this description. Howard Solganik, president of a food consulting firm in Dayton, Ohio, notes that supermarkets compete most directly with fast-food chains, whose customers also prize convenience.

Even with limited patronage—only one in every five shoppers buys prepared foods—supermarkets still make huge profits. According to David Litwak, director of research for the magazine *Supermarket Business*, "Prepared foods sales average $2,651 per

Attractive display cases in the Chef's Express section of Schnuck's Supermarkets tempt customers to take out a gourmet meal (l.) prepared by a bona fide chef (below).

week, per store, which is just 1.7% of total store sales. Yet with margins averaging 53%, prepared foods contribute about 4% to the store's overall profits."

According to a study by Lieberman Research for the Food Marketing Institute and Campbell's Foods, entitled "Shopping à la Cart," people spend $62.4 billion per year on takeout food. Thirty percent of takeout-food customers report purchasing takeout from supermarkets, far below the 76% who buy takeout food from fast-food chains, or the 90% who buy takeout from restaurants in general. Yet the average tab for supermarket prepared foods can be high. "Our customer will spend $6 to $8 per ticket," says Russ Vernon, president of The West Point Market, Akron, Ohio.

Supermarket buyers of prepared foods are not necessarily identical to fast-food patrons, however. Dual-income family members, single heads of households (especially men), and older people are heavy buyers of prepared foods.

The FMI study shows that supermarket takeout food is perceived as "fresh, of high quality, healthful and nutritious." On the other hand, customers are more likely to turn to restaurants for fun, enjoyable food; the attributes "tasty, children like it, and special treat" applied more to restaurant takeout food.

"Our customers look to us as another source for home-style food," says Corrol Brown, vice president of foodservice operations for Cullum Companies, a 79-unit chain based in Dallas, and owner of the upscale Simon David Stores.

Health concerns also fuel sales of supermarket takeout. "Our customer is an affluent, well-educated customer who can afford to visit his doctor and listens to his advice to steer clear of high-fat, breaded and fried foods," says Vernon.

TAILORING CHOICES TO CUSTOMERS

Supermarkets strive to compete with full-service restaurants by providing their customers with a variety of foods, as many as 50 to 150 items in a single case. James Duchek, vice president of specialty foods for the St. Louis-based Schnuck's Supermarkets, developed the Chef's Express concept for fresh prepared foods. As a former architecture teacher, Duchek's design sense is apparent in the well-planned display cases. "Our commissary produces about 90 to 100 items, and stores will display about 60 to 90, depending on space and customer mix," Duchek says.

The demographic makeup of a company's or individual store's customers often determines which items are most popular. For example, a 60-unit supermarket chain in New England finds its

SUPERMARKETS

To an industry used to miniscule margins, prepared foods' big profits look terrific.

customers prefer basic entrees, which yield strong weekly sales of $3,000 per store. The manager of prepared foods says, "We sell the kinds of dishes a family would want to eat for a nice dinner at home—nothing fancy, but still appealing." Stuffed chicken breasts, baked ziti with three cheeses, sautéed vegetables, and potatoes au gratin are bestsellers in the low- to middle-class neighborhoods these stores serve.

An independently owned, five-store operation in the Pacific Northwest serves a wealthier, more sophisticated clientele. Average weekly sales of $30,000 to $50,000 per store constitute 15% of store sales. "One of our store's foodservice areas does as much business as a local seafood restaurant," says the store's vice president of prepared foods. Luxury items top the list of fast-moving prepared foods: Fresh sushi, Chinese roast duck, chicken with Dijon mustard and tarragon sauce, seafood salad with scallops, poached salmon and fresh pasta (made in the store daily) crowd Eurostyle cases in a large, 5,000-square-foot deli.

Ethnic foods sell well in supermarkets catering to urbanites with diverse backgrounds. Safeway Stores Inc., a 1,782-unit chain based in Oakland, Calif., has 900 operations with deli facilities. The company recently installed Chinese kitchens for hot, fresh stir-fry in several stores serving the Asian areas of San Francisco. These kitchens have been highly successful in drawing customer attention to the supermarket's prepared-foods operations.

Some chains sell both upscale and midscale foods. Corrol Brown says, "At our stores, we sell potato salad for $1.25 a pound, while down the aisle we sell salade niçoise for $3 a pound. The two salads appeal to entirely different kinds of customer. We don't want to miss either one."

PUMPING UP THE IMAGE

Supermarkets are concerned about limited public awareness of their prepared foods. The FMI study found that only 18%, about two out of 10 people, mention supermarkets as a source for takeout food. That is far behind the 99% who identify restaurants as a primary source for takeout food.

Ads are an obvious way to tell consumers what supermarkets can offer. "Every week, our television and newspaper ads give equal time to our prepared foods," says Bill Schroeder, director of public affairs for Publix Inc., Lakeland, Fla. "We feel that what we have to offer competes with many restaurants in our area."

But a study by Willard Bishop Consulting indicates that only 5% of shoppers find out about prepared foods through display or print ads. Other merchandising methods are more effective; the samples, demonstrations and displays that are standard practice in supermarkets work equally well for takeout foods.

In fact, 49% of the FMI study respondents indicated they would increase purchase of takeout foods at supermarkets if they could sample dishes before buying them. And for their part, suppliers say they like working with supermarkets because their delis offer more opportunities for branded in-store merchandising than restaurants do.

SERVICES BOOST VISIBILITY

Dramatic new service strategies also could sharpen the image of supermarkets as foodservice operators. "When people visit our stores, they can pick up a gourmet meal and fresh fish, paper towels, cash from the automatic teller machines and postage stamps," says Nancy Lazara, vice president, Larry's Markets, Seattle.

The director of prepared foods at a 66-unit Eastern supermarket chain notes, "We are competing with restaurants for the business lunch trade by installing fax machines in all our delis." The new program should give the store's catering department a boost as well.

Delivery vans are nothing new for supermarkets; after all, customers often request grocery delivery to their doors. "Increasingly, vans equipped with special thermal-insulated and refrigeration units will bring fresh prepared foods to customers," says one supermarket consultant.

Food courts, cafes and restaurants represent supermarket strategies adopted from traditional foodservice operations. The Roche Bros. food court located in the company's Millis, Mass., superstore, sells sandwiches at the Carvery, barbecued chicken at the Rotisserie, prepared foods at Piece Meals, plus pizza and traditional deli foods. Each area mixes self-service with staffed counter service. The food court has a separate entrance, separate checkout registers and a small cafe for hungry patrons to eat the foods immediately.

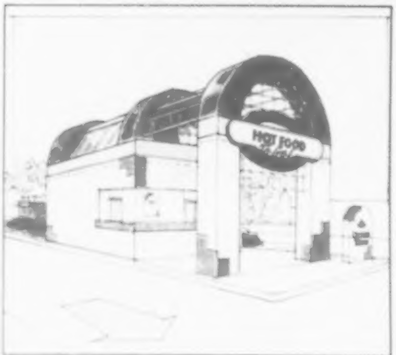
To speed customers on their way, some supermarkets have installed separate checkout counters for prepared foods. One rural Illinois supermarket has even had success with a "drive-thru" window for deli sales.

EXPANDING FOOD CHOICES

The range of prepared foods found in supermarkets is growing. One New England chain, Bread & Circus, bills itself as a whole-foods supermarket. Its prepared foods "are made from scratch, without preservatives, sugar, additives, or extenders," says Store Manager Lynn Randall. "We design our menu to include items for people on restricted diets, such as wheat-free, vegetarian, lactose-free, or diabetic diets." That can include vegetarian California rolls, Japanese udon-tofu salad or pasta salad made with rice noodles instead of traditional durum-wheat pasta.

Decadent desserts sell well, too. Bill Allen, vice president of Chicago's Treasure Island Supermarkets, says, "When we remodeled a store recently, we added a bakery to our deli opera-

continued on page 88



Fax machines at Larry's Markets (top) pull in more business for the catering department. A rendering (above) by Howard Solganik & Assoc. shows a proposed supermarket drive-thru.

SUPERMARKETS SWING INTO FOODSERVICE

As supermarkets sharpen their competitive edge, watch for more:

- **Store-made pizza—close to 50% of delis now offer it.**
- **Commissaries for supplying the deli operations.**
- **Coffee makers and cold-drink dispensers, designed for immediate consumption rather than carry-home business.**
- **Drive-thru windows and supermarket parking lots with easily accessible fast-food kiosks.**
- **Prepackaged sandwiches and portioned salads.**
- **Merchandising of "go-withs" for complete menus and menu ideas.**
- **In-store sampling of prepared foods and teasers such as pizza slices.**
- **Single-portion drinks to go with prepared sandwiches and baked goods.**
- **Creative displays of prepared entrees, salads and desserts.**
- **Professional cooks, chefs and chef consultants working for in-store kitchens or commissaries supplying the deli.**
- **Seating such as hospitality corners with free coffee, ideally located near the bake shop.**
- **Special checkout counters and deli cashiers to combat the speed-of-service problem.**

A well-planned deli case displays 60 to 90 prepared-food items.

continued from page 83

tions. When people smell the cakes and cookies, they flock to the counters." Most prepared-foods operations include a sampling of luscious baked goods, individual custards and sweets. Often, an in-store bakery provides these items, or a pastry chef will work with the prepared-foods staff.

Takeout foods can be located in several areas of a supermarket, not just in the deli counter. Demonstration kitchens merchandise the actual preparation of foods as well as the end product. Kiosks for pizza makers enable customers to get a close view of production.

Salad bars often are found in the produce section. The sight of mounds of colorful fresh produce surrounding the salad bar enhance consumer perceptions of freshness and quality.

Food presentation and luxury packaging also attract customers. "Containers and serving dishes may be sales tools if they look elegant and present food well," says John Ebbert of the Hubert Co., Cincinnati. "For example, black enamel steam-table pans present a more upscale image than do plain, institutional stainless-steel ones."

Signage and countertop displays in supermarkets often take their cues from retail merchandising pros. "Look at what Neiman Marcus and Nordstrom do with their food departments," says Ebbert. "Those stores don't just stack up slabs of turkey breast." Norma Robinson, director of merchandising at Hubert, says, "Everything has to look appetizing to justify the pricing in the consumer's eyes. We use table settings, china, anything that looks good. Even simple touches such as tucking a linen napkin inside a crystal goblet, set next to a tray of hors d'oeuvre samples, will make the food more enticing."

INVESTING IN MORE SPACE

As supermarkets expand the space devoted to delis to make room for prepared-foods sections, the average deli size is increasing by 25% to 50%. The Food Institute, a New Jersey-based research firm, reports that average retail space for prepared foods has increased by 35%, to 475 square feet, since 1985. Another consultant estimates that larger stores average "at least 1,000 to 2,000 square feet of retail space for prepared foods."

New superstores (built to cover 40,000 to 70,000 square feet) are springing up nationwide. From small independent markets such as Larry's Markets to major food retailers such as Cincinnati-based Kroger, new stores now mean bigger stores. This permits the allocation of space for the countertop displays, sampling stations, open demonstration areas and packaging operations that are so important to the marketing of prepared foods.

Ann Brody, a supermarket foodservice consultant in Bethesda, Md., says, "Prepared foods require plenty of space, especially if all foods are made from scratch." A chef's office, with adequate space for computers to track orders and inventory, prep and refrigeration space, and merchandising displays can easily triple the space previously set aside for prepared foods.

And Bill Allen of Treasure Island points out, "When you've got more

continued on page 94

Luxury baked goods are a specialty of Bread & Circus, a whole-foods supermarket company.

OATMEAL MAPLE CREAMS
$1.25

SUPERMARKET TAKEOUT

The following takeout items are most often carried by supermarkets. The percentages represent the number of operations that carry an item.

HOT FOOD	
Fried, roast or barbecued chicken	69%
Fresh pizza	48
Macaroni and cheese	36
Ribs	35
Soup (not canned)	31
Baked or fried fish	27
Italian food (other than pizza)	25
Hot dogs	24
Mexican food	15
Chinese food	12
Hamburgers	11
Japanese	6

COLD FOOD	
Prepared salads	70%
Sandwiches	60
Salad bar	40
Shrimp, lobster, crabmeat	32

Source: Campbell's/FMI Survey, by Lieberman Research

Sampling and demonstration areas to market takeout food demand valuable space.

continued from page 88

space, you get more sales." Since adding another 10,000 square feet to its Broadway store, "our takeout business has jumped by 30%," Allen says.

For some supermarkets with hundreds of existing units, the only way to make room for prepared foods is to abandon other store departments or remodel. "I know of one chain that decided to give up its staffed video departments in favor of installing video rental machines," says an industry consultant. "With the extra space, the stores expanded the retail area for prepared foods."

A commissary or central kitchen can help conserve precious space. Bread & Circus operates a commissary for most of its prepared foods. Both labor and real estate costs are high in New England, so it makes good economic sense to centralize kitchen operations. One industry consultant estimates that as little as $350,000 or as much as $3 million can be spent in outfitting a central kitchen (the higher figure includes architect, designer and other consulting fees).

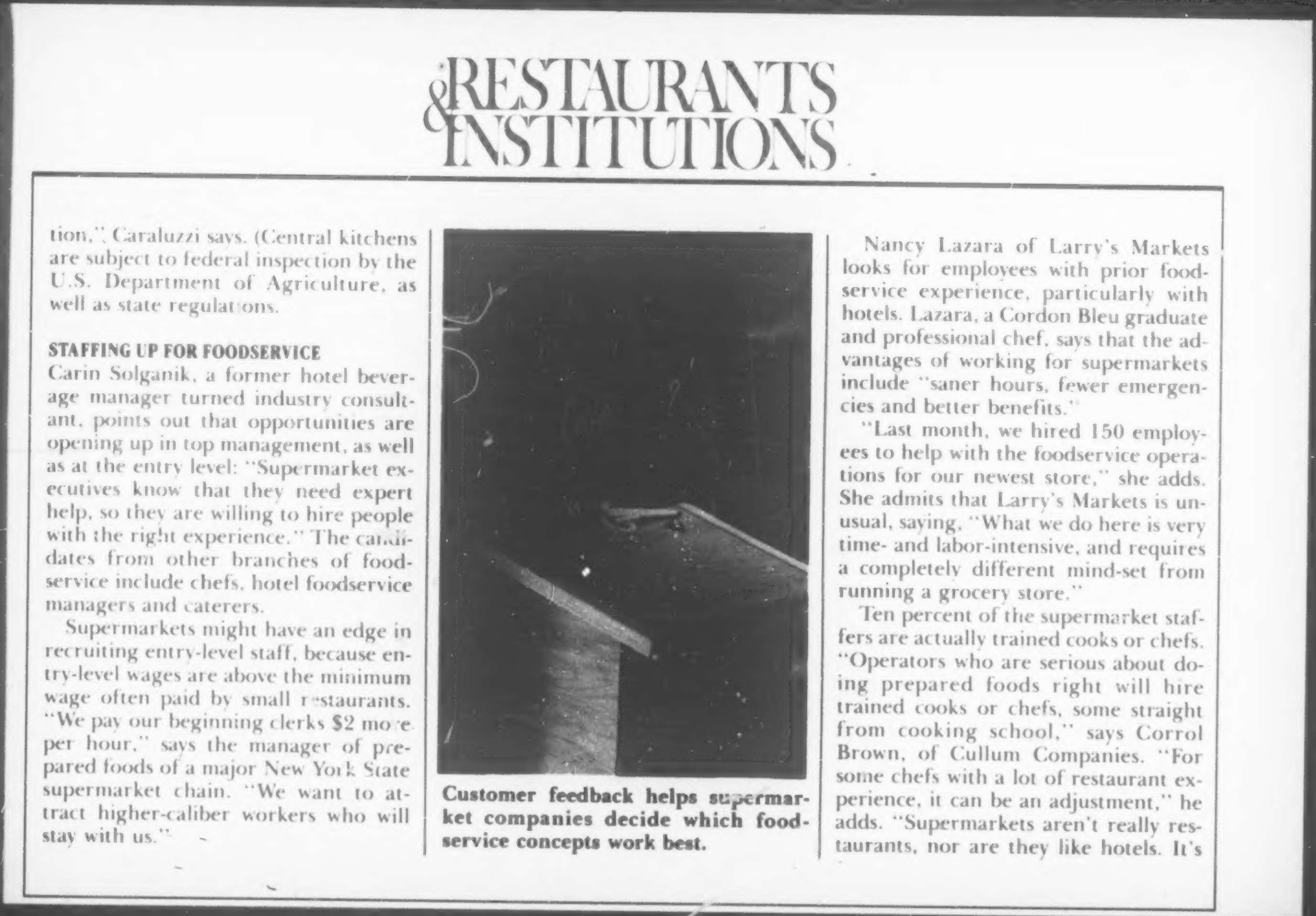
"When you consider that up to 50 supermarkets may be served from just one large, well-equipped central kitchen, the payback is fairly rapid," says foodservice consultant Mark Caraluzzi. It certainly is less costly than installing minikitchens in each of the 50 units that a single central kitchen could serve." He adds that quality control is easier in a central kitchen.

Caraluzzi's own experience points to the phenomenal growth in supermarket foodservice. His American Cafe restaurant chain in Washington, D.C., used one central kitchen to prepare foods for nine units. The benefits of such centralized operations for foodservice apply to supermarkets as much as to restaurants.

Central kitchens require precise, just-in-time delivery to each unit for ultimate freshness and quality. "From-scratch operations demand better packaging, transportation and distribu-

The Hubert Co. uses serving dishes and containers as sales tools.

Eggplant Casserole
$4.19/lb.
Enchiladas



RESTAURANTS & INSTITUTIONS

tion," Caraluzzi says. (Central kitchens are subject to federal inspection by the U.S. Department of Agriculture, as well as state regulations.

STAFFING UP FOR FOODSERVICE

Carin Solganik, a former hotel beverage manager turned industry consultant, points out that opportunities are opening up in top management, as well as at the entry level: "Supermarket executives know that they need expert help, so they are willing to hire people with the right experience." The candidates from other branches of foodservice include chefs, hotel foodservice managers and caterers.

Supermarkets might have an edge in recruiting entry-level staff, because entry-level wages are above the minimum wage often paid by small restaurants. "We pay our beginning clerks $2 more per hour," says the manager of prepared foods of a major New York State supermarket chain. "We want to attract higher-caliber workers who will stay with us."

Customer feedback helps supermarket companies decide which foodservice concepts work best.

Nancy Lazara of Larry's Markets looks for employees with prior foodservice experience, particularly with hotels. Lazara, a Cordon Bleu graduate and professional chef, says that the advantages of working for supermarkets include "saner hours, fewer emergencies and better benefits."

"Last month, we hired 150 employees to help with the foodservice operations for our newest store," she adds. She admits that Larry's Markets is unusual, saying, "What we do here is very time- and labor-intensive, and requires a completely different mind-set from running a grocery store."

Ten percent of the supermarket staffers are actually trained cooks or chefs. "Operators who are serious about doing prepared foods right will hire trained cooks or chefs, some straight from cooking school," says Corrol Brown, of Cullum Companies. "For some chefs with a lot of restaurant experience, it can be an adjustment," he adds. "Supermarkets aren't really restaurants, nor are they like hotels. It's

Look who ran away with the fork, the knife and the spoon.

Campbell

Self-service solves part of hourly labor problem.

a new niche for foodservice."

Newly hired Executive Chef Jay Lines will work with Brown in opening a new Simon David store in Fort Worth, Texas. The prospect excites Lines, particularly since he has control over the prepared foods kitchen design and layout—an opportunity not many employers can offer.

To minimize staffing needs, about 40% of supermarkets have designed prepared-foods sections to accommodate both self-service and counter service, according to Neilsen Marketing Research.

A DIFFERENT KIND OF BUSINESS

"It's a different kind of business for supermarket executives used to buying and selling products in huge volume," Brody says. "They now must get in-

Supermarkets used to take groceries to customers' doorsteps. Now some are competing with restaurants by delivering prepared foods.

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For information circle 33

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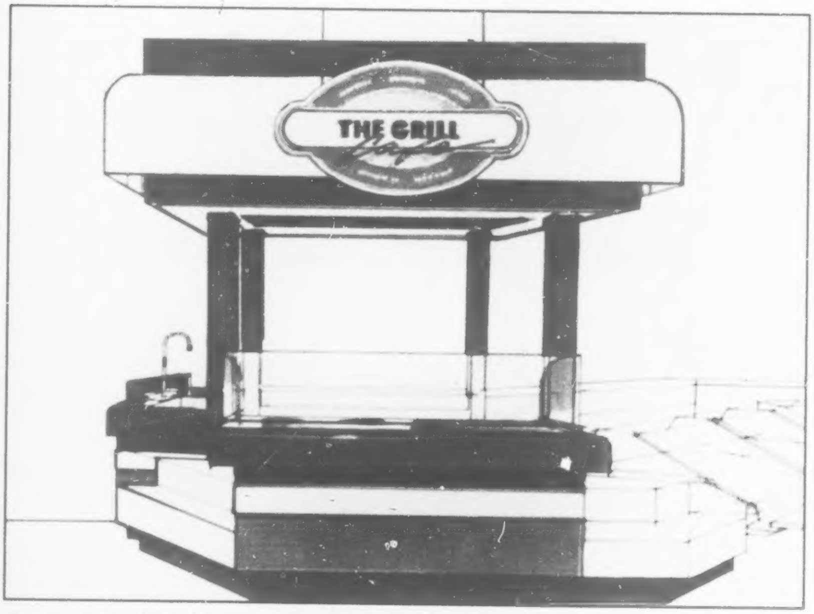


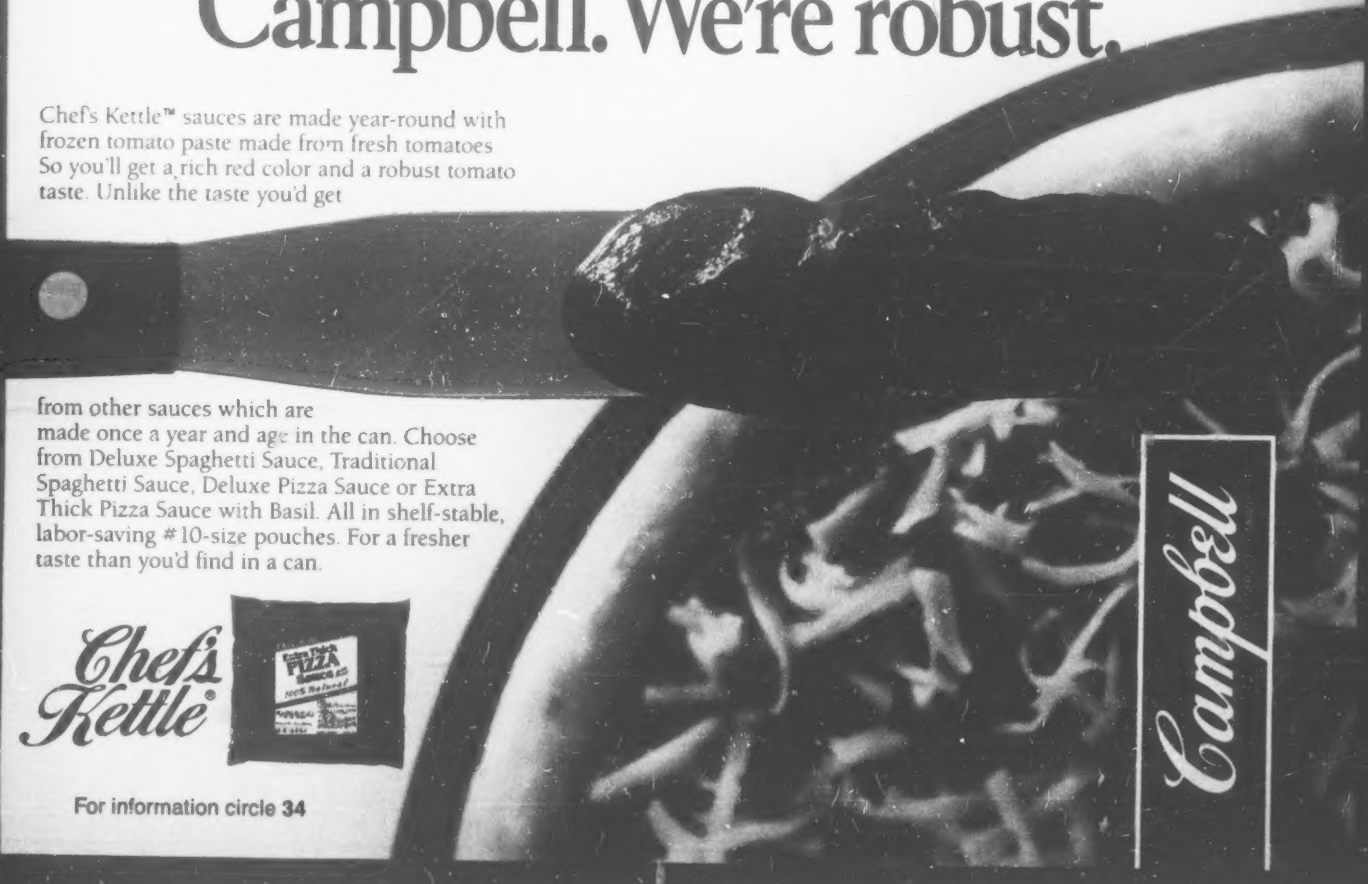
As supermarkets learn to capture the decor and menu of an independent restaurant, more customers will opt for in-store dining.

volved in manufacturing, and not all of them are comfortable in that new role."

Prompt distribution and food safety are central concerns of supermarkets getting into foodservice. Caraluzzi insists on fast chilling of foods and rapid transport to the satellite store. "Rapid cooling will preserve texture, taste, color, and best of all, a longer, safer shelf life for the product," he says.

Brody says that supermarkets are learning to control shrink by using inventory control forms, setting timetables for production and sale of each item, and learning to base the prepared-foods production cycle on forecasts, not actual sales.

The increased reliance on prepared foods is forcing supermarkets to practice what some call "the religion of refrigeration," to ensure that foods stay at safe temperatures. Case maintenance, cleaning and sanitation are important training issues. One supermarket manager even sent a prepared-foods department manager to classes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For information circle 34

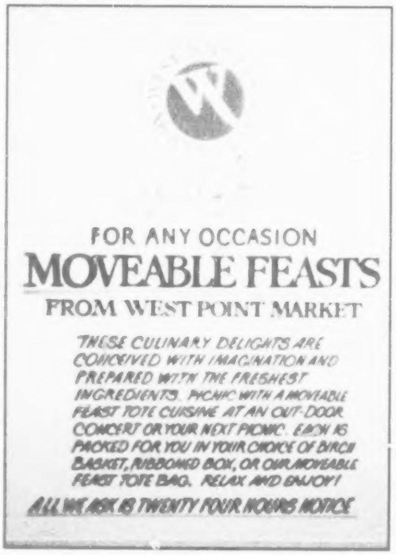
Refrigeration know-how ensures food safety.

on refrigeration. "We felt it made good sense for us to have a refrigeration expert on staff at all times, given the level of our investment in prepared foods," he says.

The director of prepared foods for a major California supermarket chain says, "We have to do a better job of training our employees to handle foods safely. Just one problem with food contamination or illness could pose a big threat to the prepared-foods industry."

William Haines, director of the Food Industry Institute, Michigan State University, East Lansing, agrees. "Supermarket takeout foods have a longer time span between preparation and the actual time of consumption. We see that as a vulnerable area for the industry," he says.

Other training issues loom large, as well. Prepared food staff need to know more than how to stock a shelf, notes Ann Brody. "Salespeople must take the lead in advising customers about the kinds of dishes available, how they should be reheated at home, serving suggestions and more," she says.



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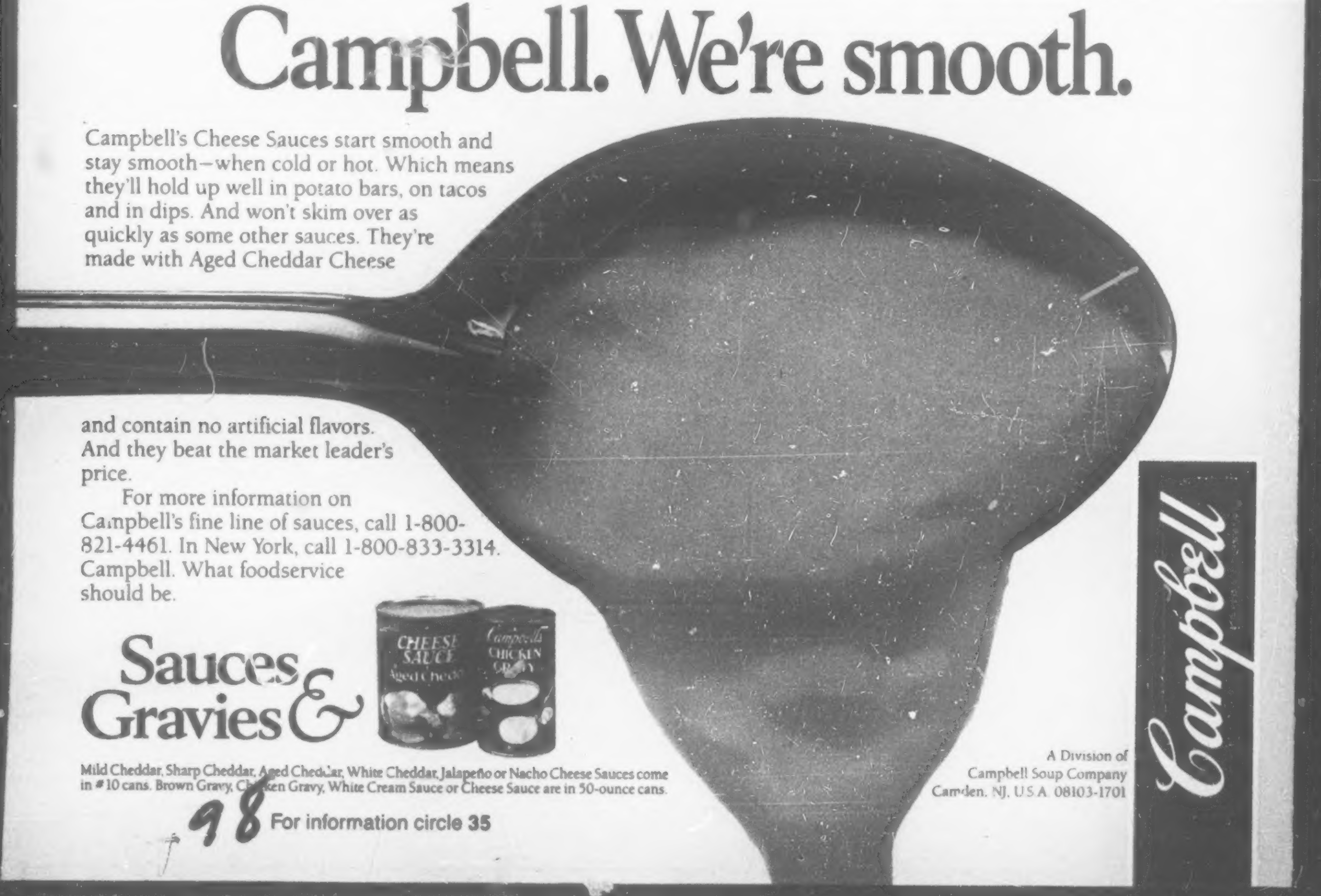
West Point Market's promotional materials encourage customers to try services such as fancy picnic lunches in the packaging of their choice.

WHAT'S COMING

Despite these challenges, supermarkets' resources place them in good stead to compete with traditional foodservice operations. Already prepared to offer services as diverse as catering ethnic food and steaming seafood for customers, supermarkets are making the capital investments that could establish them as major players. Some experts say that by the end of the century, supermarkets will be devoting at least one-third of their space to prepared foods.

If their projections come true, supermarket customers will be able to shop for a week's worth of meals without buying any groceries.

—Lucy Saunders



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ADVERTISING INDEX

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Advertiser	Inquiry No.
Alto-Shaam, Inc. (p.33-38)	13,14,15,16
American Dairy Association (p.126-142)	150
American Egg Board (p.181)	66
B.K. Industries (p.192)	72
Beatrice Cheese/Pauly Brand (p.157-160)	58
Blue Diamond Growers (p.124,176)	49,64
Borden Foodservice Real Lemon (p.43)	18
Brooks & Sons, Inc., J.R. (p.194)	74
CPC Foodservice, Knorr (p.55)	23
Calavo Foods, Inc. (p.40-41)	17
Cambro Mfg. Co. (p.84-85,86-87)	28,29,30,31
Campbell Food Service Co. (p.95,96-97,98)	33,34,35
Carnation Co., Foodservice (p.154-155)	57
Classified Advertising (p.202-208)	
Coldwater Seafood Corp. (p.58-59)	25
Commercial Aluminum Cookware Co. (p.186)	68
Continental Coffee Products (p.IBC)	85
Cryovac Div., W.R. Grace & Co (p.198-A-198-F)	89
Del Monte Foodservice (p.56-57)	
Dixie Crystals/Savannah Food & Industries, Inc. (p.152-153)	56
Dole Fresh Vegetable Co. (p.125)	52
Dole Packaged Foods (p.173)	
Doskocil Foods Group (p.168-169)	62
Durkee Foodservice Group (p.99-102)	5
Durkee-French Foods, Inc. (p.56-57,150-A-150-B,151)	
Edison Electric Institute (p.144-145)	54
Equal Low Calorie Sweetner (p.8-10)	3,4
Fishery Products, Inc. (p.78-79)	27
Florida Department of Citrus (p.183)	
Frandino Foods (p.164)	60
General Foods Corp., Boboli (p.121)	46
General Foods, Sanka (p.111)	39
General Mills, Foodservice Div. (p.108-109)	38
Heinz Co., H. J. (p.16-17)	8
Hillshire Farms (p.185)	67
Hormel & Co., George A. (p.146-147)	55
Hunt-Wesson Foodservice Div. (p.7)	90
Huntsman Chemical Corp. (p.196)	76
Iceland Seafood Corp. (p.50-53)	21,22
John Morrell (p.4)	92
Kellogg Company (p.176,177-178)	
Knorr, CPC Foodservice (p.55)	23
Knouse Foods, Inc. (p.143)	53
Kronos-Central Prods., Inc. (p.12)	120
Lancaster Colony Commercial Products (p.200)	80
Lanier Voice Products (p.188)	36
Libbey Glass Inc., Div. of Owens-Il. Inc. (p.27)	11
McCormick/Schilling (p.112-113)	40,41
Merco, Inc. (p.3)	2
Milliken Visa (p.191)	71
National Livestock & Meat Board (p.142-A)	87
New Zealand Meat Producers Board (p.15)	7
Norpac Food Sales (p.IFC)	1
Oneida, Ltd. (p.193)	73
Ore-Ida Foods, Inc. (p.29-31)	12
Pierce Foods Corp. (p.90-93)	50,51
Pillsbury Food Service (p.55,198)	24,78
Pollio Dairy Products (p.190)	70

continued on page 209

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5080 Phone: 312/635-8800

Cahners Publishing Company, A Division of Reed Publishing USA ☐ Specialized Business Magazines for Building & Construction ☐ Manufacturing ☐ Foodservice & Lodging ☐ Electronics & Computers ☐ Interior Design ☐ Printing ☐ Publishing ☐ Industrial Research & Technology ☐ Health Care ☐ Entertainment ☐ Specialized Consumer Magazines: American Baby ☐ Modern Bride.

RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address.

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S125 0-73

R&I MENU CENSUS: BEST-SELLING ITEMS OF '89...54

New York survivors tell how they do it...106

Operator's Guide: How to stamp out substance abuse....72

Public affairs task force cites key industry issues...........24

Rice Revival: Classic ingredient goes center of plate......140

OCTOBER 30, 1989

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CONTENTS

OCT. 30, 1989
VOL. 99 NO. 28

Restaurants & Institutions: winner of more Neal Awards than any other foodservice magazine.

BRIEFINGS

A summary for busy readers 5

COMMENTS

Pete Rose and the Rings of Neptune 11
Operations in this issue 11

VIEWPOINT

To save one substance abuser 12

R&I FORUM

Operator's Comments: Great hotels: restaurants with rooms 16

R&I REPORT

Operations: Changing lifestyles affect around-the-clock operations 20
Legislation: NRA's public affairs conference draws record attendance 24

R&I SCENE

People, Places & Promos 26

R&I EXCLUSIVE

Menu Census: The bestseller list 34
Appetizers 38
Soups 47
Meat 52
Poultry 54
Fish and seafood 58
Other entrees 61
Side dishes 64
Desserts 68

R&I FOCUS

Industry Issues: High on the job 72

TASTE

New York Dining: Staying alive 106

FOOD

Entrees: The great rice revival 140

MARKETPLACE

Buyers Mart 161

CLASSIFIED ADS

Buying, selling, changing jobs 174

ACTION EXPRESS

For more information about products 184

ADVERTISERS INDEX

Where to find ads in this issue 184

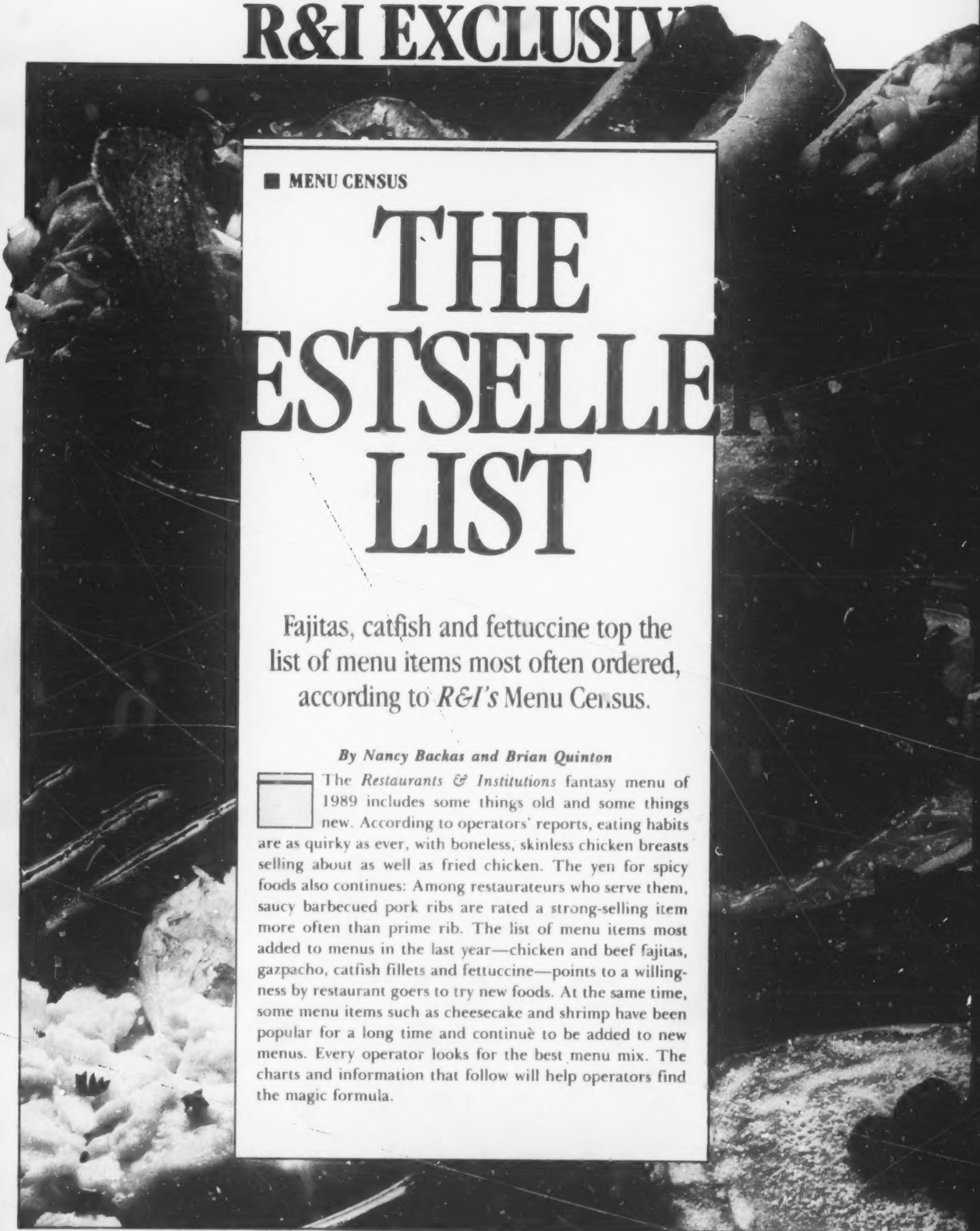
READER SERVICE CARD

To send for more information 185

Foodservice Energy News, a service of the American Gas Association, follows page 128.

(L.) Rice takes the center of the plate, starring in Saffron Crawfish Risotto.

R&I EXCLUSIV



MENU CENSUS

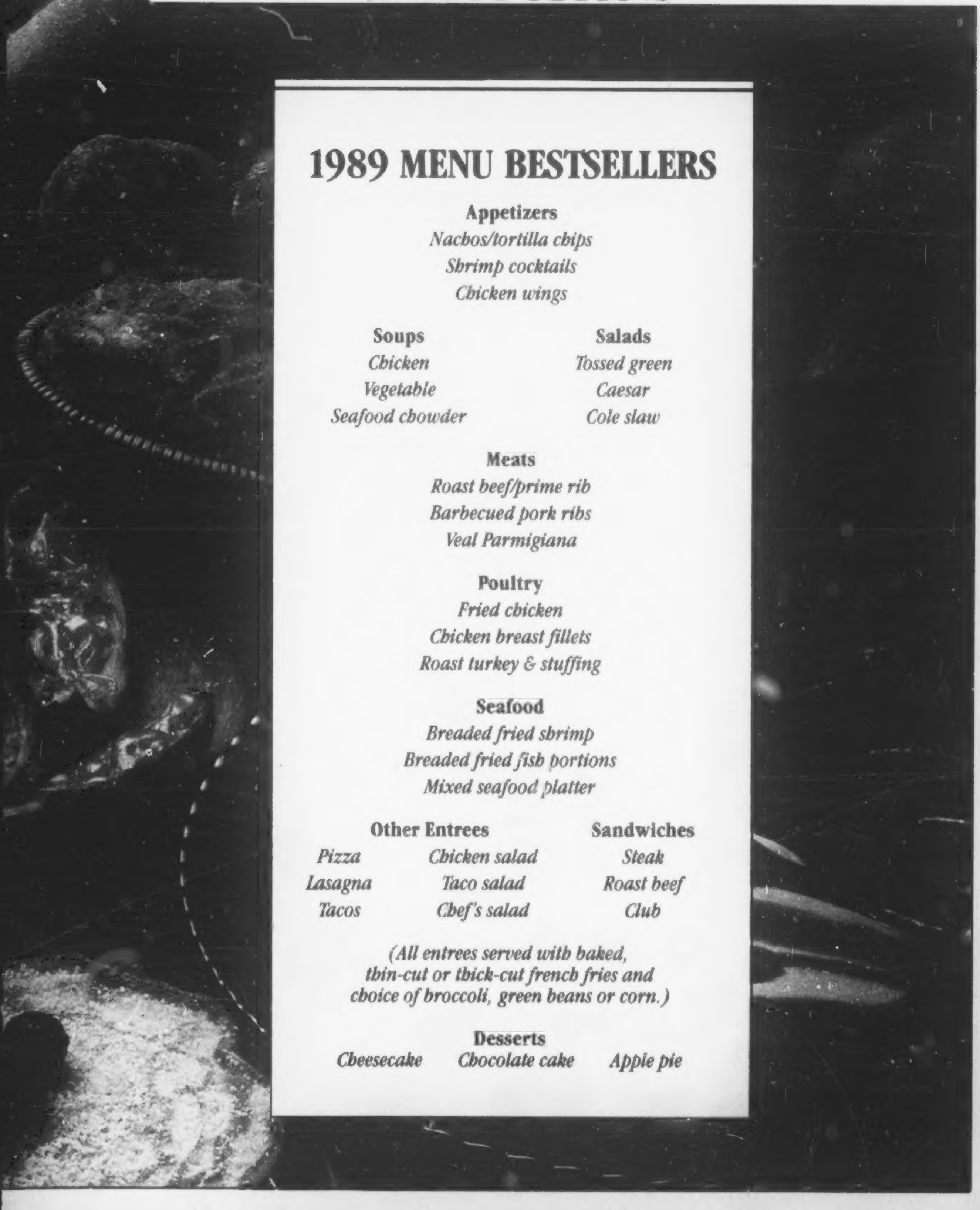
THE ESTSELLE LIST

Fajitas, catfish and fettuccine top the list of menu items most often ordered, according to *R&I's* Menu Census.

By Nancy Backas and Brian Quinton

The *Restaurants & Institutions* fantasy menu of 1989 includes some things old and some things new. According to operators' reports, eating habits are as quirky as ever, with boneless, skinless chicken breasts selling about as well as fried chicken. The yen for spicy foods also continues: Among restaurateurs who serve them, saucy barbecued pork ribs are rated a strong-selling item more often than prime rib. The list of menu items most added to menus in the last year—chicken and beef fajitas, gazpacho, catfish fillets and fettuccine—points to a willingness by restaurant goers to try new foods. At the same time, some menu items such as cheesecake and shrimp have been popular for a long time and continue to be added to new menus. Every operator looks for the best menu mix. The charts and information that follow will help operators find the magic formula.

RESTAURANTS & INSTITUTIONS



1989 MENU BESTSELLERS

Appetizers

Nachos/tortilla chips
Shrimp cocktails
Chicken wings

Soups	**Salads**
Chicken	*Tossed green*
Vegetable	*Caesar*
Seafood chowder	*Cole slaw*

Meats

Roast beef/prime rib
Barbecued pork ribs
Veal Parmigiana

Poultry

Fried chicken
Chicken breast fillets
Roast turkey & stuffing

Seafood

Breaded fried shrimp
Breaded fried fish portions
Mixed seafood platter

Other Entrees		**Sandwiches**
Pizza	*Chicken salad*	*Steak*
Lasagna	*Taco salad*	*Roast beef*
Tacos	*Chef's salad*	*Club*

(All entrees served with baked, thin-cut or thick-cut french fries and choice of broccoli, green beans or corn.)

Desserts

Cheesecake *Chocolate cake* *Apple pie*

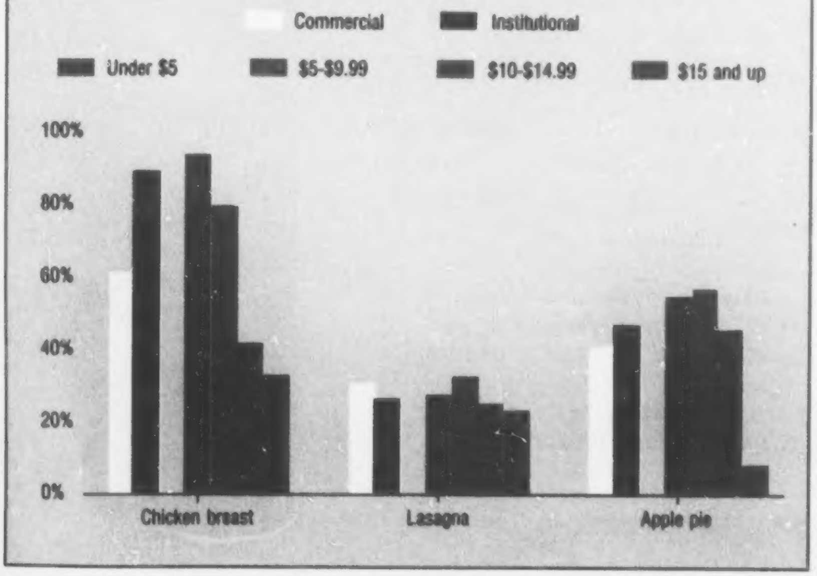
1989 MENU CENSUS

Snapshot: Takeout takes over commercial segment; workdays longer, labor costs higher in institutions.

This year's census reveals much culinary border-hopping. For example, half the operations menuing Mexican or Oriental foods sell pizza, too.

PIES, POULTRY, PASTA ON ICE

Commercial operators and those with higher dinner checks generally are less apt than the rest to buy frozen items such as those below—but often only by a little. (Chart shows percentage of category that buys frozen most often.)



This year's survey, the 18th Menu Census *R&I* has conducted, was redesigned to obtain more information about the menu specialties of responding operations. Because the questions were recast this year, direct trending with the data from previous editions of the census was not possible.

The pages that follow present the census' findings on specific menu items, how they are used, and how operators who put them on the menu think they are received.

For example, in the area of services offered, the census shows that home delivery declines drastically with larger average dinner checks: More than 80% of operations with tickets under $5 deliver, but only 7% of the $10-to-$14.99 group do so, and even fewer in the $15-and-up group. On the other hand, takeout levels remain fairly high whatever the dinner check; about 74% of all operations offer it. Interestingly, so does the level of catering. More than 52% of restaurants with average dinner checks higher than $15 cater meals away; so do 52% of those with checks less than $4.99.

The 1989 census also took note of differences in commercial and institutional foodservice. Almost half the commercial operations quizzed report they are open for breakfast. By comparison, 87% of the institutional operators who responded say they service the early crowd. And more than 70% of institutions polled say they remain open for dinner, compared to the 95% of commercial respondents who do evening business.

As for services offered, about 44% of institutional operators say they do takeout; 81% of commercial restaurants made that claim. And almost 10% of commercial restaurateurs from all price categories say they offer home delivery—approximately twice the percentage of institutions that made the same claim.

Finally, in both commercial and institutional sectors, the largest proportion of operators say their food costs run 31% to 40% of their foodservice revenues. But the two diverge sharply on labor costs: For the largest group of commercial operators, employees cost 21% to 30% of their F&B revenues. But the greatest portion of institutional operators—almost one-quarter—say their workers cost them 41% to 50% of foodservice revenues.

RESTAURANTS & INSTITUTIONS

SALES ACROSS THE MENU SPECTRUM . . .

A large percentage of operations have found it profitable to break down culinary walls and expand the scope of their menus: Specialties of restaurants featuring the three items tracked below range from French dishes to sandwiches.

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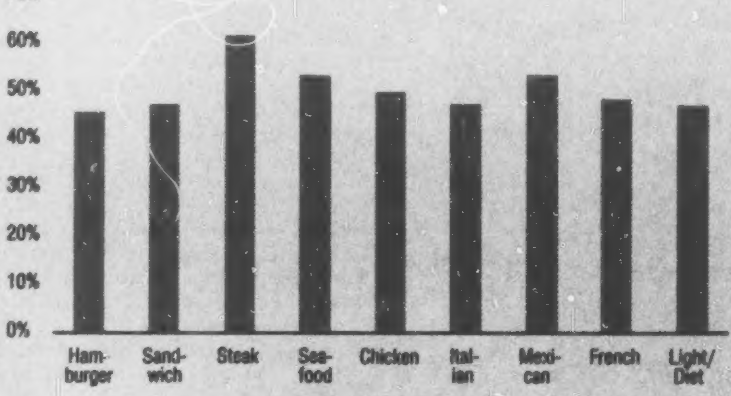

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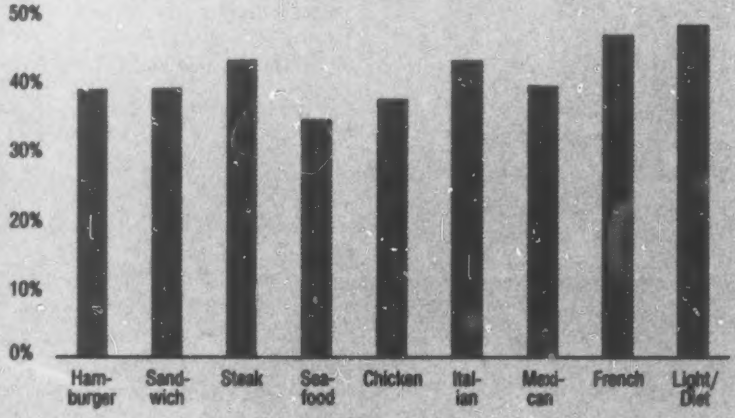
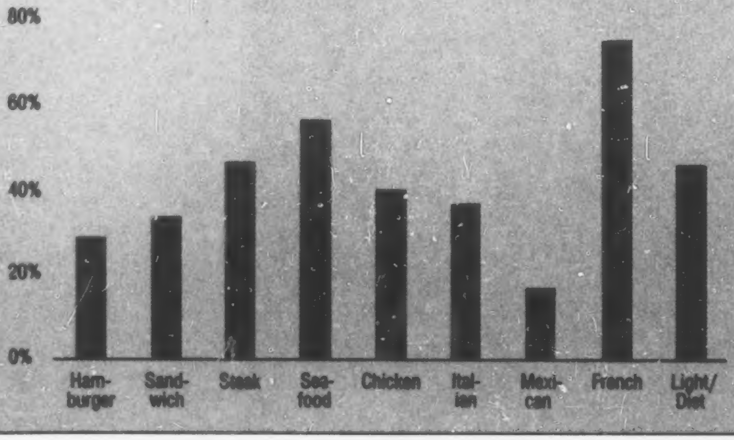


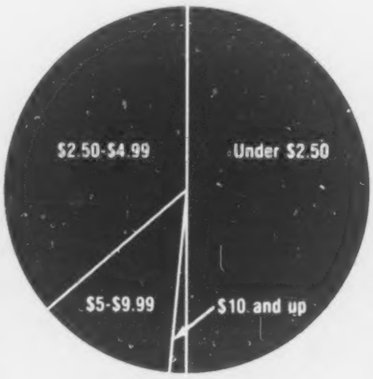
SALMON



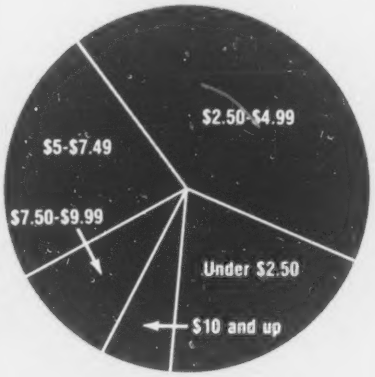
. . . AND AROUND THE CLOCK

The charts below give some idea of the distribution of average single-person meal checks throughout the dayparts.

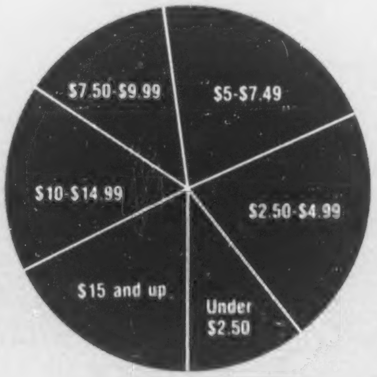
Breakfast Check



Lunch Check



Dinner Check



1989 MENU CENSUS

Appetizers: The Mexican revolution ignites passion for ethnic tastes of all kinds at the table.

Spicy tastes are strong starters in the 1989 *R&I* Menu Census: Of the six items termed good sellers by the commercial operators who menu them in this year's poll, three are Mexican. Other nationalities were not overlooked in the "good seller" category either, particularly on the commercial side. Though they did not make the first six, antipasto, fried calamari, paté, brie, quiche, appetizer pizza and egg rolls are all termed strong sellers by more than half the operators who serve them.

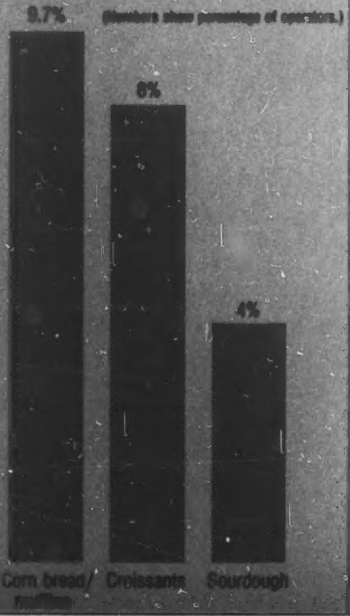
But the standards still make up a large part of the appetizer menu; more than half the operators menuing them still endorse shrimp cocktail, fruit cup, melon and cottage cheese items as selling well. In fact, shrimp cocktail is next in line for overall appetizer bestseller honors, after nachos. Restaurateurs who do business in the Northeast and South or whose average dinner checks exceed $15 are more likely to call shrimp cocktail sales strong than those in the Western or North Central regions, or in lower-ticket operations.

Institutions say the strong sellers they have on their appetizer menus are mostly the simpler dishes: Hot cheese appetizers do well, and cottage cheese items sell much better than in commercial restaurants. . . . But simpler doesn't mean uninteresting: Mushroom appetizers, egg rolls and salsa and chips all sell well in institutions, say operators who serve them. . . . Institutions also are much more apt to see chicken nuggets as an overall bestseller than their commercial counterparts. . . . Seafood nuggets, on the other hand, are a good seller but not an overall best, report the institutions that offer them.

Breads often are meal-starters too, and last year's most often added bread item was the croissant—especially in restaurants serving hamburgers, or with average dinner checks under $15. . . . Not surprisingly, dinner rolls are the bread most often served, followed by French or Italian breads, biscuits and corn bread.

BREAD FOR SUCCESS

Operators menuing bread added the following types in the last year.



APPETIZERS

Most often on menu:
Cottage cheese

Overall bestseller:
Nachos/tortilla chips

Commercial bestseller:
Shrimp cocktail

Institutional bestseller:
Nachos/tortilla chips

Most added in last year:
Shrimp (all dishes)

Most dropped in last year:
Oysters (all dishes)

Mexican finger foods figure big among commercial appetizers termed strong sellers by the operators who menu them.

Commercial
- Salsa & chips
- Meatballs
- Clams & oysters
- Nachos/tortillas
- Guacamole
- Hot cheese appetizers

Institutional
- Hot cheese appetizers
- Potato skins
- Chicken nuggets
- Cottage cheese
- Meatballs
- Seafood nuggets

continued on page 47

1989 MENU CENSUS

continued from page 38

Soups and salads: In the bowl or on the plate, today's vegetable-loving customers go for the greens.

The second act of a typical American meal away from home is likely to feature either chicken soup or a tossed green salad—the most widely menued items in the soup and salad categories, and the most often termed bestsellers by operators who serve them. But those bare truths obscure a few of the more interesting facts to be discovered in this part of the menu. For one thing, vegetable soups as a class nose out all types of chicken soup as the best-selling soup category, beating out all seafood, beef, cheese and other soups in the bargain. And among the vegetable-based soups, veggie itself wins No. 1-seller honors, followed by broccoli, vegetable beef and onion.

But chicken-hearted diners should take courage: Among single soup items, chicken soup is the most menued and the overall bestseller.

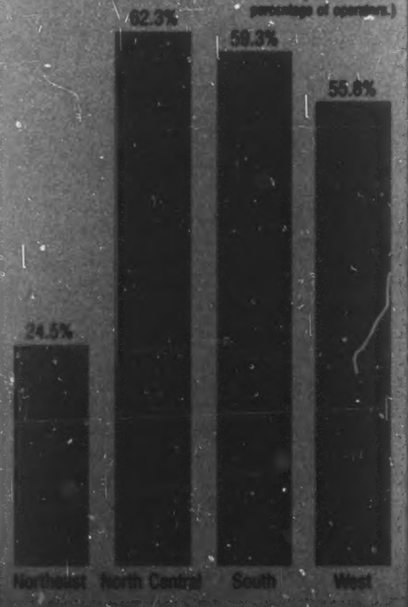
In the salad jungle, tossed green is the most often offered on menus. But pasta salad is the one most often called a good seller by the commercial restaurateurs who sell it.

As in the appetizer category, certain splits appear between the commercial and institutional sectors. Gelatin, Waldorf, and carrot and raisin salads are much more likely to be menued by, and to turn out to sell well for, institutional operators. . . . Caesar and avocado salads are offered more frequently by commercial restaurateurs, and ranked better as strong sellers by those who do. . . . Interestingly, operations with average dinner checks under $5 are more apt than mid- or upscale restaurants to say the avocado salads on their menu sell well.

If this is institutional dining, that will most likely be Italian dressing you're ladling on your greens. Commercial menus usually start with roquefort, then Italian, Thousand Island and buttermilk. . . . Speaking of buttermilk, it received the most votes as overall bestselling dressing among institutional operators who have it on the menu. In commercial foodservice, only individual "house" dressing beats buttermilk as an overall bestseller.

OLE BUTTERMILK'S HIGH

Buttermilk was the top salad dressing topping added this year (by region).



SOUPS

Most often on menu:
Chicken soup

Overall bestseller:
Chicken soup

Most added in last year:
Gazpacho (commercial)
Bean (institutional)

Most dropped in last year:
Split pea with ham

Asked to choose the soups that sell well from their menus, operators came up with a kettleful of favorite flavors.

Commercial
Seafood chowder
Potato
Bean
French onion
Minestrone
Mushroom

Institutional
Minestrone
Cream (any)
Seafood chowder
Bean
Potato
Chicken

1989 MENU CENSUS

continued from page 47

Meat entrees: Regional favorites become good sellers away from home base.

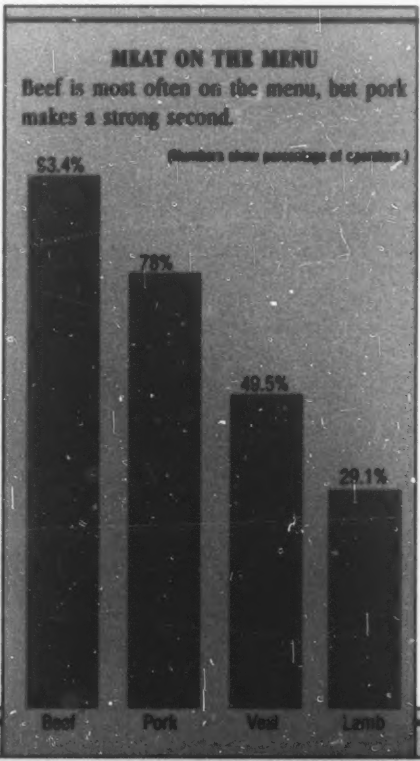
Beef dominates the meat entrees on menus, as it has for many years. The difference is that while items such as steak and prime rib appear on more commercial menus than any other meat entrees, it is more unusual items such as chicken-fried steak, beef tenderloin and barbecue beef that are most often top sellers when menued.

Chicken-fried steak, for example, is an entree that was invented in Oklahoma and for years known only to a small United States region. It is now known nationwide and was cited in this year's Menu Census as a strong-selling meat entree in commercial operations. . . . While old standbys such as beef tenderloin and barbecue beef still sell well, so do lamb chops and pork chops, two items that used to be overshadowed by beef entrees such as prime rib.

Institutional operations claim such regional favorites as chili con carne and beef fajitas sell better when on the menu than more standard prime rib and barbecue pork rib entrees. . . . Institutional operators serve meatloaf as often as baked ham, but meatloaf sells better when menued. . . . Beef fajitas, a menu item known only to those living in the Southwest five years ago, has quickly become a favorite all over.

Pork chops and pork barbecue ribs are most often served at restaurants with check averages less than $5 and at restaurants with check averages between $10 and $15. . . . Pork chops are served throughout the United States, but pork roast is served most often in the Northeastern and North Central regions. . . . Veal parmigiana appears on more menus in the Northeast than in any other U.S. region.

Institutions are twice as likely as commercial operations to have liver, meat balls and meatloaf on the menu. . . . Baked ham is the pork entree most often on both institutional and commercial menus, but is on twice as many institutional as commercial menus. . . . After potatoes, broccoli is the vegetable served most often with beef in commercial operations, while string beans top the list in institutions.



MEAT ON THE MENU

Beef is most often on the menu, but pork makes a strong second.

MEAT ENTREES

Most often on menu:
Baked ham

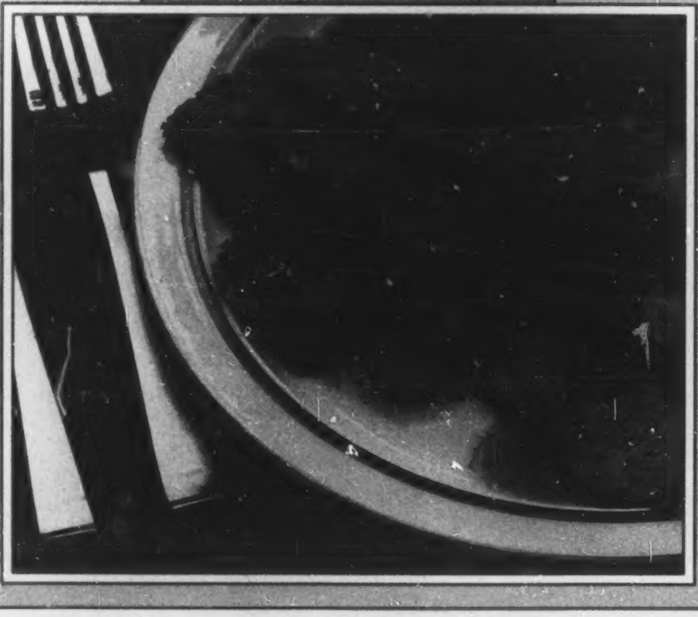
Overall bestseller:
Roast beef/prime rib

Commercial bestseller:
Roast beef/prime rib

Institutional bestseller:
Veal parmigiana

Most added in last year:
Beef fajitas

Most dropped in last year:
New York strip steak



For operators who feature it, beef is back. Five of their six strongest-selling meat entrees involve beef.

Commercial
Chicken-fried steak
Beef tenderloin
Barbecued beef
Chili con carne
Meatloaf
Barbecued pork ribs

Institutional
Barbecued beef
Chili con carne
Beef fajitas
Prime rib
Barbecued pork ribs
Chicken-fried steak

1989 MENU CENSUS

Poultry entrees: Chicken breast fillet is star attraction and on more menus than any other entree.

Fried chicken is still one of the best-selling poultry entrees, but boneless, skinless chicken breast fillets are gaining favor, thanks to a poultry industry that developed the product for easy preparation. Other lower-fat preparations also are moving up on the good-seller list as operators discover patrons' desire for more nonfried items.

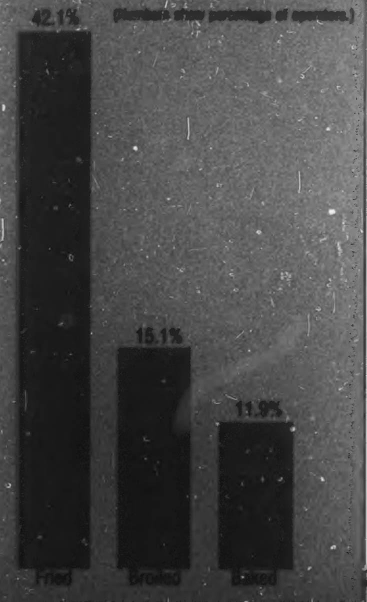
The chicken breast fillet is served in operations with check averages in the $2.50 to $5 range at lunch and $5 to $10 range at dinner. . . . While chicken breast fillet sells well in the Northeast, North Central and Southern regions, it does not sell as well in the West. . . . Perhaps because of the abundance of beef in the West, chicken entrees sell least well overall there. . . . Southwestern-inspired chicken fajitas makes the good-seller list in institutions; it also is the item most added last year in institutions. . . . Fried chicken was both the item most dropped last year and the overall bestseller when menued, an indication of "dietary schizophrenia." . . . The marketing of turkey parts such as turkey breast has helped move turkey breast up the ladder as an overall good seller, ranking No. 3 in the institutional good seller when menued.

While broccoli is the top vegetable, other than potato, served with poultry, at least three-and-a-half times as many respondents serve poultry with white rice and three times as many serve it with potatoes. . . . Institutions most often serve broccoli and green beans with poultry; commercial operations choose broccoli and mixed vegetables. . . . Poultry dishes most often are accompanied by mashed potatoes.

Specially formed chicken products such as chicken tenders, chicken nuggets and chicken patties are designated good sellers by more than half of survey respondents who menu them. . . . While few have duck on the menu, those who do serve duck find it sells well. . . . Chicken pot pies and chicken fajitas sell best in the South while chicken and noodles sells better in the North Central region.

BIRD WATCHING

Among operators who feature these styles, fried chicken is termed overall bestseller.



POULTRY ENTREES

Most often on menu:
Chicken breast fillets

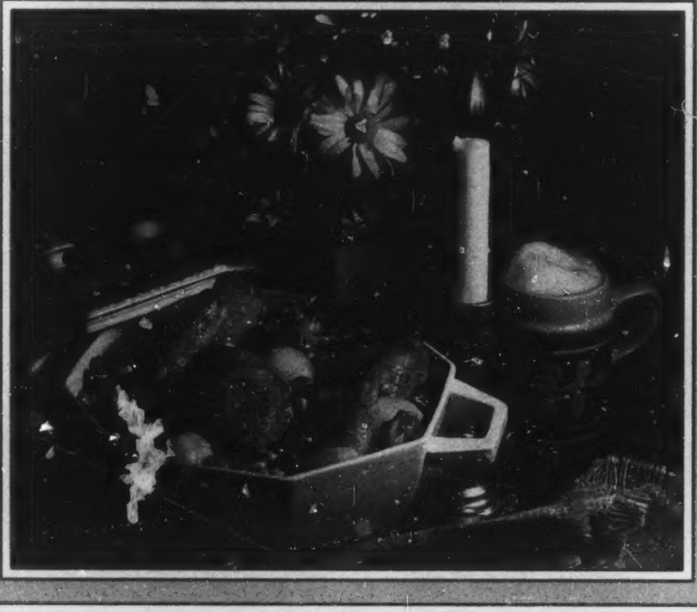
Overall bestseller:
Fried chicken

Commercial bestseller:
Chicken breast fillets

Institutional bestseller:
Fried chicken

Most added in last year:
Chicken breast fillets (commercial)
Chicken fajitas (institutional)

Most dropped in last year:
Fried chicken



Commercial and institutional operators who put poultry on the menu report almost the same list of strong-selling items.

Commercial
- Barbecued chicken
- Baked chicken
- Chicken breast fillets
- Fried chicken
- Hot turkey sandwich
- Broiled chicken

Institutional
- Baked chicken
- Chicken breast fillets
- Turkey breast
- Chicken patties
- Hot turkey sandwich
- Chicken fajitas

continued on page 58

1989 MENU CENSUS

continued from page 54

Fish and seafood entrees: Popularity of catfish points to strength of fish farming.

Broiled, grilled and sautéed fish and seafood entrees are rivaling fried fish as good-selling entrees when menued, although fried items still come out on top. The fish most likely to succeed, according to this year's census, is the catfish fillet, a testament to the growing popularity of farmed fish. But shrimp, scallops and cod continue to show up on the menu more than any other fish or seafood items.

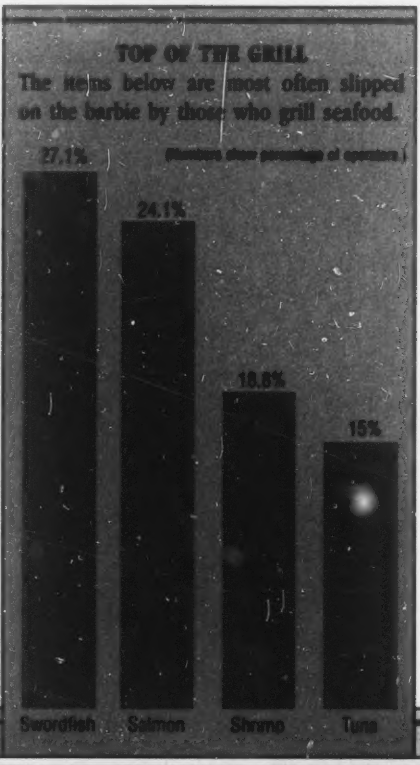
Broiled shrimp is moving up on breaded fried shrimp as a good-selling entree. . . . Broiled shrimp sells best in the South and West while breaded fried shrimp sells well everywhere.

Tuna casserole is named as a good seller twice as often in institutional operations as in commercial operations and is menued least often in the South. . . . Baked salmon sells best in the South and Northeast, least in the North Central region.

In commercial operations, scallops figure as a good bet on menus. Both sautéed scallops and breaded and fried scallops are called good sellers when menued by more than two-thirds of respondents. . . . Operators in the Northeast and South who serve breaded and fried scallops are most likely to call them strong sellers, while those in the West and South make the same claim for sautéed scallops.

TOP OF THE GRILL

The items below are most often slipped on the barbie by those who grill seafood.



Salmon was the fish most dropped from the menu in 1989, perhaps resulting from the Alaska oil scare, but when it was menued, it sold well. . . . The best-selling salmon preparation is grilled, followed by poached, baked and finally broiled. . . . Overall, the majority of operators surveyed say they buy salmon fresh. Those in the North Central region are most likely to buy frozen and canned salmon, those in the West least likely.

Breaded and fried fish portions are on the menu as often in commercial operations as in institutions, but institutions more often claim they sell well. . . . More unusual vegetables such as zucchini, asparagus and squash are served more often with seafood in commercial operations than in institutions.

SEAFOOD ENTREES

Most often on menu:
Breaded fried shrimp

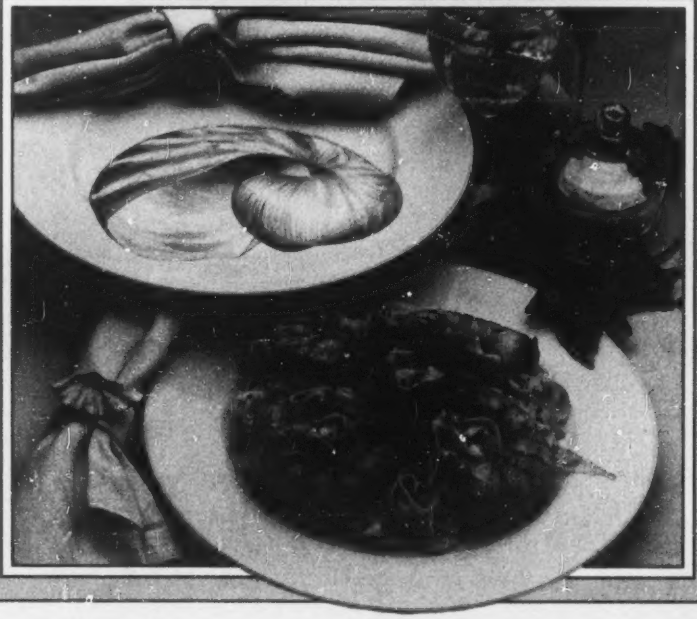
Overall bestseller:
Breaded fried shrimp

Commercial bestseller:
Grilled swordfish

Institutional bestseller:
Breaded fried shrimp

Most added in last year:
Catfish fillets

Most dropped in last year:
Salmon (all dishes)



Broiling and frying are the most common prep techniques on this list of strongest-selling seafood.

Commercial
Breaded fried shrimp
Sautéed scallops
Broiled shrimp
Breaded fried scallops
Catfish fillets
Broiled halibut

Institutional
Fried clams
Broiled cod/scrod
Breaded fried shrimp
Catfish fillets
Breaded fried fish portions
Tuna casserole

1989 MENU CENSUS

Other entrees: Ethnic offerings begin to enter mainstream, edging out old standbys.

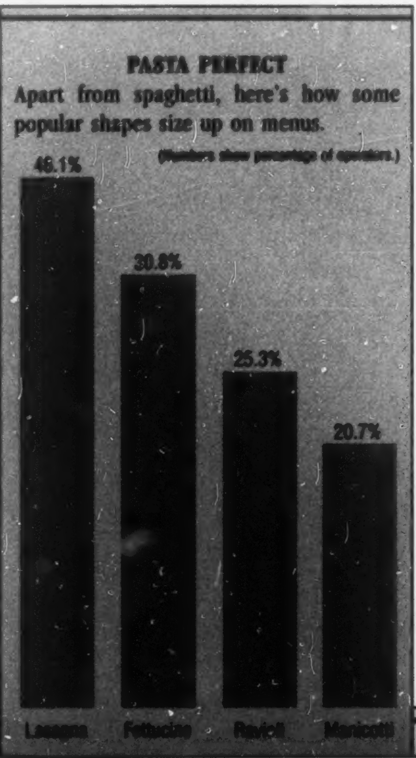
Old menu standbys such as chef's salad, chicken salad and stuffed tomato continue to be good sellers, but ethnic entrees are beginning to encroach on their territory. Italian pasta entrees show their strength as patrons discover they are not so fattening after all. And the spicing up of America's palate makes Mexican entrees more appealing all the time.

Of the top 10 ethnic entrees menued, six are Italian, three are Mexican and one is Asian. Lasagna is on the menu most often, followed by pasta with sauce, pizza and tacos. The one Asian-type entree in the top 10 is chop suey. . . . Although fewer than one-fourth of repondents had quesadillas, chilies rellenos or tostadas on the menu, they appear as good sellers for a majority of those who do serve them.

Pizza comes out a winner as the entree named to the overall-bestseller list and as the bestseller in institutions. . . . Pizza sells better in commercial operations than in institutions. . . . The majority of commercial operations make pizza from scratch, while institutions most often serve frozen pizza.

Those who menu the ever-popular chef's salad claim it is a good-selling entree salad, equally a good seller in every United States region. The check average in operations where chef's salad is sold ranges from $2.50 to $7.50 at lunch; from less than $5 to $10 at dinner. . . . Chicken salad is the entree salad that appears on most menus. The North Central and Southern regions are most likely to serve chicken salad. . . .Taco salad sells best in the North Central region.

One of the newest ethnic entrees to hit menus with great frequency is fajitas, an ethnic entree that sells well all over the United States, in both commercial and institutional operations. . . . Stuffed shells, another ethnic entree gaining favor, is on the menu three times as much in the Northeast than in any other region. . . . Fettuccine, ranking third in the commercial good-seller list, is served most often in the South.



PASTA PERFECT

Apart from spaghetti, here's how some popular shapes size up on menus.

(Numbers show percentage of operators.)

OTHER ENTREES

Most often on menu:
Chicken salad

Overall bestseller:
Pizza

Commercial bestseller:
Chicken salad

Institutional bestseller:
Pizza

Most added in last year:
Fettuccine

Most dropped in last year:
Pasta (all types)

Strong-selling alternate entrees are a mix of classic diet dishes such as stuffed tomatoes and flavorful ethnic options.

Commercial
- Tacos
- Chef salad
- Fettuccine
- Chicken salad
- Fruit salad
- Pasta with sauce

Institutional
- Stuffed tomato
- Stuffed shells
- Pasta with meatballs
- Taco salad
- Chef salad
- Fruit salad

continued on page 64

1989 MENU CENSUS

continued from page 61

Side dishes: Bakes take honors for best sales performance by a supporting tuber.

Clearly, potatoes are still the a-la-carte side dish of choice. But if the sells-well list at the foot of the page were enlarged a few slots, other vegetables would make a respectable showing as strong sellers wherever they are on the menu. Mushrooms, carrots, green beans and peas round out the top 10 commercial side dishes; while institutional outlets favor broccoli, mushrooms, stir-fried vegetables and kernel corn, in that order.

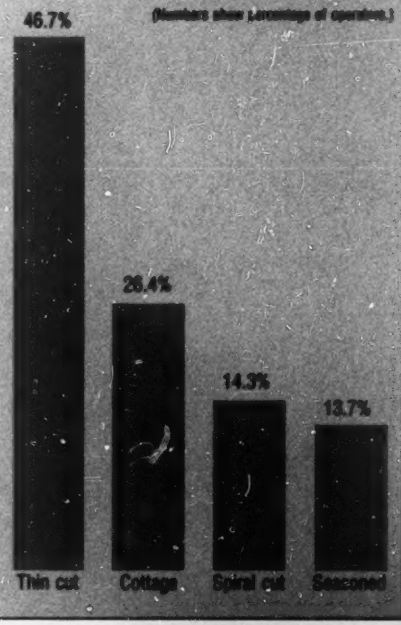
When grouped together, the various styles of french fries (thick- and thin-cut, spiral, curls, etc.) get the most votes as a menu best seller. But more operators on both the commercial and institutional fronts say that baked potatoes sell better than any single style of french fry.

On the non-potato vegetable side, broccoli is the vegetable most often termed an overall bestseller by operators who feature it, particularly where light or diet dishes are on the menu. After broccoli comes onion rings—so much for light or diet. . . . As for how restaurants buy their vegetables, that depends in part on their average dinner check: Outlets with tickets under $5 are almost 25 times more likely to buy frozen broccoli than those where the average dinner check exceeds $15. . . . For some reason, spinach is menued least often in the West.

When beef is center of the plate, commercial operations most commonly serve baked potatoes and/or broccoli on the side. Institutional diners are more apt to order mashed potatoes and gravy with their red meat, and green or string beans as another vegetable. . . . With pork, both segments are more likely to serve white rice than potatoes; for a vegetable with pork, it's loose corn in institutions and carrots for commercial operators. . . . Sauerkraut is 13th on the list of likely pork accompaniments in commercial restaurants—two places below applesauce. . . . Oriental vegetables are available across the dinner-check range: One-third of all restaurants polled offer some kind of stir-fried vegetable dish.

FRENCH ACCENTS

These days, a good portion of operators serving fries are trying a different cut.



SIDE DISHES

Overall bestseller:
French fries (all styles)

Commercial bestseller:
Baked potato

Institutional bestseller:
Thin-cut french fries

Most added in last year:
Onion rings

Most dropped in last year:
Mashed potatoes

The potato is the preeminent side dish, particularly in institutions. But the next six strong sellers are almost all vegetables.

Commercial
Mixed vegetables
Cottage fries
Au gratin potatoes
Zucchini/squash
Onion rings
Baked potato

Institutional
Stuffed potatoes
Spiral fries
Potato pancakes
Au gratin potatoes
Scalloped potatoes
Cottage fries

continued on page 68

1989 MENU CENSUS

continued from page 64

Desserts: Old-fashioned endings prevail, but the ice-cream-and-cake crowd makes room for regional items.

No surprise endings here: Ice cream, apple pie and cheesecake top the list of desserts most often menued. In fact, they are among the top 30 strong-selling menu items of any kind, across the menu. Ice cream leads in terms of items offered, of course; two-thirds of operators polled report ice cream on their menus. But the segment breakouts show that cheesecake is menued as frequently as ice cream in commercial restaurants.

Cheesecake, any cheesecake, is most often cited as an overall best-selling dessert item by those who feature it. It was added to menus more often than almost any other dessert item last year, particularly in commercial restaurants where the average dinner check exceeds $10. That makes sense: Units with that average ticket and cheesecake on the menu are the most likely to say it sells well.

Pies menued seem to differentiate by dinner check: Almost every variety is far more likely to show up on the menu of a low-ticket outlet. Apple pie, by far the most popular variety, is on the menu of fewer than half the restaurants with $15-plus check averages.

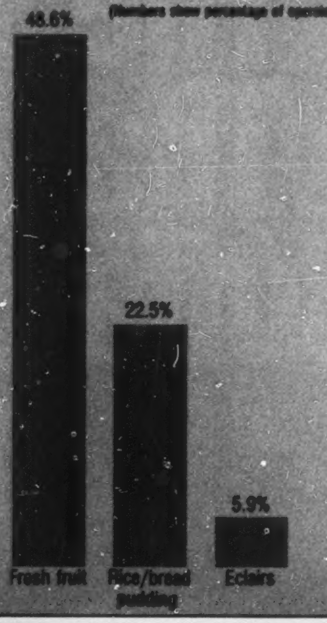
Beyond the Big Three of the dessert cart, Northeastern outlets most often put fresh fruit on the dessert menu; operators in the North Central region favor any berry pie; and both South and West usually feature chocolate cake.

Down at the other end of the list, the less common desserts show some interesting patterns. Bread pudding is on the menu at more than half of the institutional outlets polled and at almost half the restaurants with a dinner check of less than $5. . . . Almost two-thirds of the North Central restaurants offering any cobblers report they sell well, compared to about 40% for the same group elsewhere. . . . Almost equal proportions of restaurants serving éclairs say they buy them fresh, purchase frozen or make them from scratch. . . . Most commonly added desserts in the last year: Cheesecake, apple pie and frozen yogurt.

STRONG FINISHERS

Which desserts besides ice cream, pie or cake sell well for those who menu them?

(Numbers show percentage of operators.)



DESSERTS

Most often on menu:
Ice cream
Apple pie
Cheesecake

Overall bestseller:
Cheesecake

Commercial bestseller:
Cheesecake

Institutional bestseller:
Chocolate cake

Most added in last year:
Carrot cake (commercial)
Cheesecake (institutional)

Among operators who feature it on the menu, pie takes the cake as a strong-selling dessert—if only for its sheer variety.

Commercial
Ice cream
Cheesecake
Chocolate cream pie
Pecan pie
Apple pie
Berry pie

Institutional
Cupcakes
Chocolate cream pie
Frozen yogurt
Fresh fruit
Berry pie
Lemon pie

ACTION EXPRESS

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American Dairy Association (p.104-105)	28
American Gas Association (p.129-136)	190,235-240
Ammirati, Inc. (p.172)	55
Atlantic Cheinco Corp. (p.173)	59
Basic American Foods (p.188-A-188-H)	68
Beef Industry Council (p.119-121)	36
Bell Atlantic Corp. (p.166-167)	49
Bil Mar Foods, Inc. (p.65)	17
Blaze Products (p.171)	52
Calavo Foods, Inc. (p.22-23)	7
California Iceberg Lettuce Commission (p.55)	
Cambro Mfg. Co. (p.62-63)	16
Campbell Food Service Co. (p.70-71)	19
Capital City Prod. (p.122-G)	66
Carnation Co., Foodservice (p.53)	13
Chiquita Banana (p.160)	69
Classified Advertising (p.174-182)	
Cleveland Range, Inc. (p.138-139)	40
Cookshack, Inc. (p.173)	58
Custom Foods (p.88-89)	35
Del Monte Tropical Fruit Co. (p.96-97)	
Durkee-French Foods, Inc. (p.66-67,146-A-146-B,147)	
Equal Low Calorie Sweetner (p.8-9)	3
Garland/A Welbilt Co. (p.126-127)	38
General Foods Corp., Boboli (p.4)	2
General Mills, Foodservice Div. (p.112-113)	32
General Slicing/Red Goat Co. (p.172)	57
Georgia Pacific (p.137)	48
Heinz Co., H. J. (p.14-15,148-149)	5,43
Hobart Corp. (p.IBC)	62
Hollowick, Inc. (p.173)	60
Hunt-Wesson Foodservice Div. (p.7,10)	
Iceland Seafood Corp. (p.48-51)	11,12
Idaho Potato Commission (p.111)	31
Jennie-O-Foods, Inc. (p.151)	44
Jeron Technologies (p.170)	51
Kellogg Company (p.122-I)	
Kikkoman Int'l. Inc., (p.94-95)	24
Kraft, Inc. (p.3,168-A-168B)	1
Lancaster Colony Commercial Products (p.172)	56
McCormick/Schilling (p.108-109)	29,30
Marzetti Company, T. (p.122-H)	67
Master Disposers, Inc. (p.173)	61
Micros Systems, Inc. (p.87)	21
Microwave Products of America (p.84-85)	20
Minute Maid Foodservice Group, a division of Coca Cola Foods (p.123)	
National Dairy Board/ D.P.F.A. (p.77-82)	135
National Federation of Coffee Growers of Columbia (p.BC)	63
National Sea Products (p.124-125)	37
North Atlantic Seafood Assoc. (p.90-91)	22
Ocean Garden Products, Inc. (p.13)	4
Ore-Ida Foods, Inc. (p.31-33)	10
Perdue Farms (p.142-143)	41
Pierce Foods Corp. (p.56-57)	50
Procter & Gamble, Joy (p.93)	23
Rice Council of America (p.154-157)	46

continued on page 183

RESTAURANTS & INSTITUTIONS, a Cahners publication
1350 E. Touhy Ave., P.O. Box 5060, Des Plaines, IL 60017-5080 Phone: 312/635-8800.

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RESTAURANTS & INSTITUTIONS (ISSN 0273-5520) is published biweekly (with an additional issue in January, February, March, May, July, September and November) in national, demographic and separate editions by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Charles H. Moodhe, Senior Vice President/General Manager, Chicago Division; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to RESTAURANTS & INSTITUTIONS at our Denver address. RESTAURANTS & INSTITUTIONS copyright 1989 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people; USA, 1 year $99.95, 2 years $189.95; Canada/Mexico, 1 year $115, 2 years $205; other countries surface mail, 1 year $155, 2 years $290; and air mail, 1 year $240, 2 years $460. Except for special issues where price changes are indicated, single copies of regular issues are available for $10 (USA, Canada/Mexico and foreign). Please address all subscription mail to RESTAURANTS & INSTITUTIONS, 44 Cook St., Denver, CO 80206-5800. RESTAURANTS & INSTITUTIONS has also been published as "INSTITUTIONS, Magazine of the Service World" and INSTITUTIONS/VOLUME FEEDING MANAGEMENT.